



# BELLMONT

S E C U R I T I E S

**ABN 47 119 852 890 AFSL 331625**

**OpenMarkets Trading Disclosures & Agreements**

**ISSUE DATE: 1st March 2017**

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# Part 1 – Terms & Conditions

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## DEFINITION OF TERMS

In this document (including the Schedules), unless the contrary intention appears:

**Adviser Services Client Agreement** means the agreement formed when OpenMarkets accepts Your application for a Trading Account, subject to the relevant Terms and Conditions, Application forms and any additional parts.

**AEST** means Australian Eastern Standard Time.

**AFSL** means Australian Financial Services License.

**Application Form** means an approved application form required to open an account or access our services.

**ASIC** means the Australian Securities and Investments Commission.

**ASIC Market Integrity Rules** means the ASIC Market Integrity Rules (ASX Market) 2010 as amended from time to time.

**ASX** means ASX Limited ABN 98 008 624 691.

**ASX Clear** means ASX Clear Pty Limited ABN 48 001 314 503.

**ASX Clear Rules** means the operating rules of **ASX Clear** as amended from time to time.

**ASX Operating Rules** means the rules regulating the market for products operated by the ASX.

**ASX Settlement** means ASX Settlement Pty Ltd ABN 49 008 504 532.

**ASX Settlement Rules** means the operating rules of ASX Settlement amended from time to time.

**Authorised Representative** means a person authorised by an Australian Financial Services licensee to provide financial products and/or financial advice who represents the account holder in accordance with these terms and conditions.

**Cash Account** means the linked cash account where Your cash is held in Your name.

**CHESS** means Clearing House Electronic Subregister System.

**Client DTR Service** means a service to place Orders where the Orders is received by a person and is not processed using the Electronic Trading Facilities.

**Confirmations** means the trade confirmation note that OpenMarkets send You on execution or partial execution of a transaction.

**Corporate Action** means an action taken by a public company that has a direct effect on the holdings of the shareholders.

**Covered Short Sale** means a sale where You have, at the time You place the sell Order, a legally binding commitment from a securities lender to lend the securities to You.

**Options** means equity exchange traded options (ETOs), index ETOs, low exercise price options (LEPOs) and ASX Derivative Products

**Electronic Trading Facilities** means a facility by which a person places an Order using a computer interface and which Order is routed through the Validation Rules.

**FSG** means the Financial Services Guide prepared by OpenMarkets in accordance with Section 941A of the Corporations Act 2001 (Cth).

**GST** means Good and Services Tax.

**HIN** means Holder Identification Number.

**Holder Record** means the name and address details of the client as recorded by ASX Settlement in CHESS for the purpose of operating one or more CHESS holdings.

**Holder Record Lock** means a facility that prevents financial products from being deducted from a Sponsored Holding in relation to a transfer or conversion.

**Information** means information and data periodically provided by OpenMarkets and service providers, including but not limited to data derived from the information. This data may include market information, account information, news, updates, notifications, analyses, data and research materials relating to financial services and products.

**Limit Orders** means an order where You set the minimum price You'll accept for a sell order or the maximum price You'll pay for a buy order.

**Login Details** means username, password, PIN, secret questions, unique identifier or any other means of providing the identity and authority of You or Your Authorised Person, as the context requires.

**Market** means the market operated by the Market Operator under Australian Market License 2002.

**Market Operator** is as defined in the ASIC Market Integrity Rules.

**Market Order** means an order where You instruct us to buy or sell securities at the best price available.

**NSX** means National Stock Exchange of Australia Limited ABN 11 000 902 063

**Order** means an order or instruction for the sale or purchase of financial products to be executed by OpenMarkets.

**Options** means equity and index exchange traded options (ETOs), low exercise price options (LEPOs) and ASX Derivative Products

**Partly Paid Security** means securities for which only part of the capital amount and any premium due has been paid. The outstanding amounts are payable at a time chosen by the company issuing the securities.

**Relevant Market** means ASX, NSX or SIM VSE or the markets operated by them.

**Settlement Date** for sales or purchases is the date and time that is specified on the relevant trade confirmation and if no date and time are specified or no trade confirmation is required to be given, the date and time is 9.00am Sydney time on the third business day after the execution of the transaction.

**SIM VSE** means SIM Venture Securities Exchange Limited ABN 41 087 708 898.

**Sponsorship Agreement** means CHESS sponsorship terms and conditions as set out in Part 2 of the Client **Sponsored Holding** means Your CHESS holding, identified by a HIN

**STP** means Straight Through Processing

**Trading Account** means a trading account opened in Your name, or nominated by You and approved by us, or if there are several accounts in Your name, all accounts joint and severally.

**Transaction** means a financial product transaction that You've asked OpenMarkets to arrange for You.

**Transfer** means a transfer of financial products from a CHESS holding to any other holding and vice versa.

**Terms** means all of the ASX Group Rules, ASX Operating Rules, ASX Settlement Operating Rules, ASX Clear Operating Rules, ASIC Market Integrity Rules, NSX Operating Rules, SIM VSE Operating rules and any other applicable law.

**Us, We, Our** means OpenMarkets Australia Limited ABN 38 090 472 012.

**Validation Rules** means rules or filters enabling Your Orders which may be administered in the Electronic Trading Facilities and are, at our absolute and unfettered discretion established by use, changed by us from time to time and are kept wholly secret by us from You.

**You** means the person or persons in whose name the Trading Account is opened or named on the Account Application Form as the client. If that is more than one person, "You" means each of them separately and every two or more of them jointly. "You" includes Your successors and assigns.

## **1. IMPORTANT INFORMATION**

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- 1.1 This document (**Client Agreement**) is a legally binding contract between OpenMarkets Australia Limited ABN 38 090 472 012 (**OpenMarkets, our, us, we**) and You.
- 1.2 This Agreement legally binds You if You have applied to open a trading account using the OpenMarkets Account Application Form (**Trading Account**), and we have accepted Your application.
- 1.3 The documents forming Your legal rights and obligations under this Agreement are:
  - a. the terms in this Agreement (**Terms**);
  - b. the CHESS Sponsorship Agreement (**Sponsorship Agreement**), at Part 2 of this Agreement; and
  - c. the OpenMarkets Privacy Policy
- 1.4 You MUST read and understand these Terms.
- 1.5 If You do not understand these Terms, or any part of them, we recommend You obtain advice from Your lawyer before You apply to open or trade on a Trading Account.
- 1.6 The information and any advice contained on our website or any other material You may receive from us has been prepared without taking into account Your objectives, financial situation or needs. OpenMarkets does not provide financial advice. Before placing any Order with OpenMarkets You should consider whether the transaction is appropriate for You.
- 1.7 You are responsible for obtaining and maintaining any necessary computer technology, such as internet connection, in order for You to access our services including sending and receiving emails to and from us.
- 1.8 If You are accessing our services from outside Australia, You are responsible for complying with foreign laws and regulations.

## **2. YOUR ACCOUNT**

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- 2.1 To trade with us, You need to establish a Trading Account. This account may allow Your Authorised Representative to place Orders through one or more of our Electronic Trading Facilities or through our Client DTR Service for one or more financial products.

- 2.2 Unless You're opening a Trading Account with us which is designated as a "Trust" or "Superannuation Fund", You are entering into these Terms as a principal. That is, You are acting on Your own behalf and not as an agent or on behalf of another person.
- 2.3 You warrant that:
  - a. if You are acting as a trustee, You have the authority to enter into these Terms and the Sponsorship Agreement (Part 2 of this Agreement) both personally and as a trustee; and
  - b. You are 18 years of age or over.
- 2.4 You agree and acknowledge that all Trading Accounts established through us must be CHESS Sponsored by us, subject to the Terms outlined in the Sponsorship Agreement (Part 2 of this Agreement).
- 2.5 We reserve the right not to accept any application for a Trading Account in our absolute discretion and may refuse to open a Trading Account without giving any reason.

### **3. JOINT ACCOUNT**

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- 3.1 Where a Trading Account is held jointly with one (or two) other people these Terms bind each person jointly and severally and:
  - a. we may act on the instructions of any of You and are not obliged to give the other account holders any notices of such an instruction (including the placing or cancelling of a trade);
  - b. we will only act on the instruction of all the account holders to disable the joint account. We will contact all the account holders to notify them that we have taken this action;
  - c. where one account holder dies, once we receive notification of death we will close the Trading Account and open up a new Trading Account in the name of the surviving account holder(s). We will transfer any financial products held by the account holders jointly into the new Trading Account.

### **4. LINKED CASH ACCOUNT**

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To settle transactions through Your Trading Account You must have a linked Cash Account (**Cash Account**) with one of our approved providers. Please refer to [www.openmarkets.com.au](http://www.openmarkets.com.au) for more information about which Cash Account products we support.

- 4.1 When You open a Trading Account with us, You understand and agree that You are also opening a Cash Account with a provider selected from our approved list. You agree and appoint us with the authority to operate this Cash Account on Your behalf subject to these Terms.
- 4.2 You agree to comply with the Cash Account provider's terms and conditions, appoint us with general transaction authority on the Cash Account and provide other account-related information.
- 4.3 We will instruct the Cash Account provider on Your behalf to carry out transactions on Your Cash Account for purposes of facilitating transactions on Your Trading Account.
- 4.4 You authorise us to have access to Your Cash Account to:
  - a. verify the Cash Account balance and any other details we require;
  - b. display the daily balance of Your Cash Account through Your Trading Account;
  - c. withdraw funds for settlement for a buy Order;
  - d. withdraw funds to pay to us amounts You owe us under these Terms (including our fees and any fees charged by a related third party); and
  - e. deposit funds received as a result of a trade settlement, automatic dividend crediting (if applicable) and any other credits.
- 4.5 If You notice a mistake or any unauthorised withdrawals, You should contact the Cash Account provider directly.
- 4.6 Federal law requires all bank accounts earning deposit interest are subject to Tax File Number (TFN) legislation.

### **5. INSTRUCTIONS & ORDERS**

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- 5.1 You authorise the Participant to accept instructions on Your behalf from Your Authorised Representative and You confirm that Your Authorised Representative(s) has/have the power to do the following in Your name and on Your behalf from time to time:

- a. to give instructions to the Participant relating to Your account;
  - b. to acquire, buy, deal with and dispose of any financial product;
  - c. to pay or receive payment for any financial product transactions and related expenses and to give good receipt and discharge for the financial product, proceeds and other monies;
  - d. to execute all necessary or proper contracts and other documents for the custody, dealing and transfer of financial product and related matters; and
  - e. to exercise all rights and privileges and perform all duties and obligations which may now or in future apply to You as a holder of financial product.
- 5.2 In processing an Order, You acknowledge and agree that all dealings between Your Authorised Representative and us are subject and bound by:
- a. the Corporations Act 2001 (Cth) including the ASIC Market Integrity Rules;
  - b. the rules, regulations, customs and usage of the relevant exchange as prescribed by ASX, NSX and SIM VSE or other exchanges, including but not limited to, the ASX Operating Rules, the NSX Business Rules and the SIM VSE Business Rules;
  - c. the rules and procedures for the clearing facility operated by the ASX Clear;
  - d. the rules and procedures for the settlement facility operated by the ASX Settlement; and
  - e. our Best Execution Policy as published on our website. We may from time to time amend our Best Execution Policy and we will notify You of the changes by making such amendments available to You on our website.
- All such rules as outlined in this clause (5.2) are referred to in this document as the "Rules".
- 5.3 You agree to ratify and confirm all actions carried out by the Participant on the instructions of Your Authorised Representative.
- 5.4 Your Order will be executed at the prices available on a Relevant Market (subject to any acceptable limit imposed).
- 5.5 Your Authorised Representative will give us each Order with the intention that it will be transmitted to the market for execution. It is Your obligation to ensure that the details of each order instruction are accurate at the time You placed the order.
- 5.6 We will be deemed to have received Your Order only at the time we have actual notice of the communication.
- 5.7 If placing an Order through our Client DTR Service, we will use our reasonable endeavors to execute Your instructions but we do not guarantee that Your instructions will be wholly or partially executed or will be executed by a certain time.
- 5.8 We will not accept an Order for the sale or purchase of financial products where we believe there would be no change in beneficial ownership resulting from the transaction.
- 5.9 Your Authorised Representative will not transfer financial products out of Your Trading Account before settlement in a way that would have an effect of You being unable to meet Your settlement obligations.
- 5.10 There must be sufficient funds in Your linked Cash Account to meet Your trading and settlement obligations before a buy Order is placed. You will not transfer funds out of Your Cash Account before settlement in a way that would have an effect of You being unable to meet Your settlement obligations.
- 5.11 You acknowledge that we will only accept instructions from Your Authorised Representative to deal on behalf of the Trading Account where there are sufficient funds or financial products in the linked Cash Account or the Trading Account respectively at the time that the instructions are given to us.
- 5.12 You acknowledge that in accordance with rule 3280 of the ASX Operating Rules, rule 88 of the NSX Business Rules and rule 6.45 of the SIM VSE Business Rules, the relevant exchanges have the right to cancel or amend market transactions or crossings.
- 5.13 It is our practice to record telephone conversations with clients. In any complaint about our Services, we may rely upon these recordings and will provide a copy of any telephone recording we intend to rely upon within a reasonable time of the request.

#### WHEN WE MAY REFUSE AN ORDER

- 5.14 We may at any time for any reason in our absolute discretion refuse to accept an Order from Your Authorised Representative, including but without limitation, if:
- a. for a buy Order You have insufficient funds in Your Cash Account to meet Your settlement obligations. This includes brokerage, fees, any taxes and any other expenses payable; and/or

- b. there is insufficient liquidity for those financial products in the market.

5.15 We may also cancel an Order or restrict Your ability to trade in financial products through Your Trading Account:

- a. if we consider the Order is or will result in a breach of the market manipulation rules or insider trading rules as outlined in the ASIC Market Integrity Rules and/or Corporations Act (Cth);
- b. where in our opinion the Order would result in the creation of a disorderly market or prejudice the integrity or inefficiency of the market;
- c. if we consider the Order would result in misleading and deceptive conduct in relation to trading in financial products.

5.16 Where we take action as outlined above in clause 5.12, we are not liable for any loss (including the ability to place a trade) or any inconvenience You may suffer as a result of us taking any action or refusing to take any action.

## **6. ORDER EXECUTION**

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6.1 We use straight through processing, which is the fully automated electronic processing and settlement of Orders, submitted via our Electronic Trading Facilities without any manual intervention (**Straight Through Processing**).

6.2 You acknowledge that we will use Straight Through Processing to process Your Orders provided that:

- a. the Order satisfies the Validation Rules;
- b. the Order satisfies the operating rules of Relevant Exchanges, with regard to time, price and volume characteristics or other characteristics as specified by ASIC, the Corporations Act (Cth), ASX, NSX or other exchanges from time to time;
- c. Straight Through Processing may not always be available and it may therefore be necessary for us to execute Your orders manually which may involve some delay in the execution of orders placed by You and which may impact the price the Order is transacted at;
- d. Straight Through Processing is only available:
  - i. for financial products that are not suspended or in trading halt;
  - ii. for “at market” orders
  - iii. during official market hours

6.3 You acknowledge that:

- a. we reserve the right to terminate Your access to Straight Through Processing at any time in our sole and absolute discretion;
- b. if there is a disruption in trading in a particular financial product or the market generally, or the ASX Trade, NSX Trade or SIM VSE Trade system fails, Straight Through Processing transmission may be disrupted;
- c. if Your Order does not satisfy the Validation Rules or it is received outside normal trading hours Your Order may be rejected outright or may be subject to manual review by the Client DTR Service. In some cases the Client DTR Service has the authority to not place the Order into the market until You are contacted so as to confirm the Order. We will not be liable for any loss caused to You as a result of delay in executing Your Order or not executing Your Order at all for any reason including the unavailability of the Client DTR Service or Straight Through Processing;
- d. once Your instructions to buy and sell have been processed, the time at which Your instructions are executed and Your trade occurs will depend on ASX Trade, NSX Trade or SIM VSE Trade matching Your Order with a corresponding Order or orders;
- e. we are not responsible for any losses You incur if any inadvertent duplicate trading instruction is given by Your Authorised Representative and executed by us;
- f. You acknowledge that we, as an ASX, NSX and SIM VSE Market Participant and a holder of an AFSL must ensure the conduct of an orderly market and prevent manipulative trading, including insider trading, false trading, market rigging and suspect transactions. Therefore in utilising Straight Through Processing You understand that Your orders may be scrutinised by both our filters and the Client DTR Service. You also acknowledge and agree that we reserve the right to decline to act on Your behalf, or accept Your Authorised Representative’s instructions or process any orders placed by Your Authorised Representative including via Straight Through Processing where in our reasonable opinion the instructions breach or may breach any law or statutory or other regulatory requirements (including without limitation to the Corporations Act (Cth));
- g. the time periods in which markets operate are set out on the relevant Exchange’s website. We will not be liable for any loss caused to You as a result of the Exchanges not accepting the entry in the market of an Order

placed by Your Authorised Representative;

- h. Your Order will be executed at the price available on the ASX, NSX, SIM VSE or any Other Exchange (subject to any limit imposed) which may be different from the price at which the Financial Products are trading when Your Order was placed. Subject to Your Authorised Representative's instructions, we will generally execute Orders in the sequence in which they are received;
- i. You acknowledge and agree that:
  - i. Your Order may be automatically crossed against other orders before reaching the Market;
  - ii. Use of Electronic Trading Facilities may result in principal orders of OpenMarkets (orders for the account of OpenMarkets) being executed at the same time as or in priority to Your Order. You agree that we may execute principal orders where Your Order on the same terms is outstanding and that these Terms constitute disclosure to You about principal transactions as required by the Market Integrity Rules. Unless You notify us otherwise, You will be taken to have agreed to us (and any persons considered to be trading as principal by virtue of their association to us – eg. related bodies corporate) trading as principal with You and agree to pay such fees (if any) on such principal transactions, each time Your Authorised Representative places an order with us unless You are a retail client (as defined in the Corporations Act), and we are not permitted to charge such fees under the Corporations Act (Cth) or the Market Integrity Rules;
  - iii. An increase in the quantity of a uncompleted order will be treated as a new order and automatically be moved to the bottom of the queue at the relevant price level.

#### ASX BOOKBUILD

- 6.4 The Client and the Trading Participant are bound by the ASX Operating Rules of ASX Limited ("ASX"), the Corporations Act and the procedures, customs, usages and practices of ASX and its related entities, as amended from time to time, in so far as they apply to ASX BookBuild and any allocation of Financial Products in an offer on ASX BookBuild.
- 6.5 The Client acknowledges that the Trading Participant may at any time refuse to deal in, or may limit dealings in, the Financial Products offered under ASX BookBuild for the Client. The Trading Participant is not required to act in accordance with the Client's instructions, where to do so would constitute a breach of the ASX Operating Rules or the Corporations Act. The Trading Participant will notify the Client of any refusal or limitation as soon as practicable.
- 6.6 If the terms of the offer are silent on whether offers and issues of Financial Products are prohibited in the United States or to U.S. persons, then the Client acknowledges that the following terms of the offer will apply:
  - a. The Financial Products have not been, and will not be, registered under the US Securities Act of 1933 (the US Securities Act), and may not be offered, sold or resold in the United States, or to or for the account or benefit of U.S. persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
  - b. Expressions used but not defined in these terms have the meanings set forth in Regulation S under the US Securities Act.
- 6.7 When the Client instructs a Trading Participant to enter a Bid in an offer of Financial Products the Client warrants that:
  - a. it is aware of and agrees to:
    - i. the Investment Cap; and\
    - ii. the terms of the offer;
  - b. it is entitled, under:
    - i. the Investment Cap; and
    - ii. the terms of the offer,to enter that Bid and to subscribe for any Financial Products allocated to it under Rule [4930].
- 6.8 The Client acknowledges that where it has received an allocation of Financial Products as a result of a Bid entered by the Trading participant on its behalf for the allocation of the relevant Financial Products under the applicable offer it has an obligation to subscribe for the number of Financial Products allocated to it at the final BookBuild Price on the terms of that offer.
- 6.9 When the Client:
  - a. has received an allocation of Financial Products in an offer on ASX BookBuild which represents a percentage of Financial Products in that offer which exceeds the Investment Cap; or

- b. has received an allocation of Financial Products in an offer on ASX BookBuild which results, or together with allocations to other persons result, in the voting power in the BookBuild Issuer of the Client or any other person increasing from a percentage at or below the Investment Cap to a percentage above the Investment Cap, the Client acknowledges that such allocation was outside of the parameters established by the BookBuild Issuer for the offer on ASX BookBuild and that the BookBuild Issuer may, at its election, require that the client divest such number of Financial Products allocated in the offer on ASX BookBuild up to the number required for the relevant person to no longer exceed the Investment Cap.

For the purposes of this clause 6.9, a person's voting power in the BookBuild Issuer has the meaning given by s610 of the Corporations Act. The Client acknowledges that damages are not an adequate remedy for a breach of clause 6.7 and that the BookBuild Issuer can require specific performance of this clause 6.9.

6.10 The Client acknowledges that the warranties and acknowledgments in clauses 6.7, 6.8 and 6.9 above can be enforced by the BookBuild Issuer.

6.11 Termination does not affect the existing rights and obligations of the Client or the Trading Participant at termination.

6.12 If ASX prescribes amended minimum terms for an ASX BookBuild Client Agreement 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 ASX BookBuild Client Agreement and apply as if the Client and the Trading Participant had entered into an agreement containing the New Terms.

6.13 The Trading Participant will provide a copy of the New Terms to the Client as soon as practicable after ASX prescribes the New Terms.

#### **MANAGED FUNDS**

6.14 When placing a Managed Fund order, by accepting the terms:

- a. you declare that you have the authority to enter into transactions and that all details provided are true and correct. You undertake to inform us of any changes to the information supplied as and when they occur;
- b. you have received and accepted this offer in Australia or New Zealand;
- c. you are making an additional investment in the Fund in which you already have an investment, and those monies are not derived from or related to any criminal activities;
- d. (If signing under power of attorney) declare that you have not received notice of revocation of that power;
- e. (If appointed a representative) you declare that you have not cancelled such appointment;
- f. you acknowledge and agree to be bound by the terms and conditions as outlined in the completed initial Application Form, the provisions of the current PDS / AIB and the constitution of the Fund (as amended from time to time);
- g. you acknowledge that investments in the fund(s) are subject to investment risk. For further information on the risks associated with the fund(s) please refer to the relevant PDS;
- h. you acknowledge that you have read and understood the Privacy section in the relevant PDS and AIB and you consent to providing personal information pursuant to the Privacy Act 1988 (Cth) for the purposes described in the relevant PDS and AIB.

## **7. CONFIRMATIONS & USE OF EMAIL**

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- 7.1 We will send all confirmations of trades (**Confirmations**) and many other notifications under these Terms (unless we expressly say otherwise in these Terms) to Your email provided on the Account Application Form or separately nominated by You. You hereby nominate Your email address for the purpose of receiving all communications and consent to receiving (and authorise us to use Your email address to send to You) important communications from us including financial services disclosures under the Corporations Act (Cth) such as (without limitation) our Financial Services Guide, Confirmations and any Product Disclosure Statement we are required to provide You.
- 7.2 You can change this email address (or any other contact details) by contacting your Authorised Representative. We will not be liable for any notifications not received by You as a result of providing an incorrect email address or due to Your failure to provide us with an updated email address.
- 7.3 Upon receipt of a Confirmation, You agree You will check it to ensure it is accurate and You will contact your Authorised Representative immediately if You consider it contains an error or it is inaccurate.
- 7.4 We may use email to inform You of the progress of trades on Your Trading Account. You agree to check Your email account regularly to ensure You are aware of the progress of activity on Your Trading Account.

- 7.5 For joint accounts, we will send notifications, including Confirmations and any notice to amend these Terms, to the email addresses of all account holders, as provided in the Application.
- 7.6 We may at any time re-issue to You a Confirmation to correct any errors or omissions and the terms and conditions of the original Confirmation will apply in relation to the reissued Confirmation.
- 7.7 If You are a Wholesale Client for the purposes of the Market Integrity Rules, we may elect not to give any Confirmations to You in relation to Transactions executed for You. If we so elect, You agree these Terms are taken to be the notification required to be given by us to You under the Market Integrity Rules.

## **8. SETTLEMENTS, FEES & CHARGES**

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### **BROKERAGE & OTHER FEES**

- 8.1 Our Fees are published on our website and in our Financial Services Guide (**FSG**).
- 8.2 You agree to pay all Fees attributable to the Services we provide You, including our fees and any fees charged by a Relevant Market or a related services provider.

### **SETTLEMENT OBLIGATIONS**

- 8.3 The payment of brokerage, fees, any taxes and any other expenses payable are part of Your settlement obligations. You authorise us to deduct all amounts in respect of any transactions and any other services provided by us to You from funds in Your Trading Account or the linked Cash Account on the Settlement Date.
- 8.4 We are not obliged to transfer financial products purchased where payment for them remains outstanding.
- 8.5 When Your Authorised Representative instructs us to sell financial products, You agree to delivery of those products to enable us to settle Your Order by the Settlement Date. If You fail to provide those products we may buy in or arrange for the buy-in of any products sold (and You are fully responsible for any loss in connection with such purchase) and recover our costs in so acting;
- 8.6 We do not accept, and You agree not to place, short selling orders.
- 8.7 We may off-set any funds in Your Cash Account against amounts You owe to use under these Terms.
- 8.8 Where You fail to provide us with funds necessary to settle a buy Order, we will contact You demanding payment. If after 48 hours the payment remains unpaid, we may sell any financial product we hold on Your behalf (including financial products You hold in another Trading Account) as necessary to cover the default. Such a sale will be at Your risk and expense.
- 8.9 You agree that we may appropriate any payments, credits or other sums of money received by You in reduction of any amounts You owe to us and may apply funds held in Your Cash Account or Your Trading Account to discharge Your settlement obligations or any amount owed to us including under these Terms.
- 8.10 We will not be liable to You for any failure by us to exercise or any delay in the exercise by us of any right we may have against You, or any loss incurred by You as a result of us not exercising any of our rights against You immediately, or at all, following any failure by You to comply with Your obligations.
- 8.11 You agree that we may charge interest on any debit balances in Your Trading Account and any other amounts outstanding by You to us at the rate disclosed to You from time to time.
- 8.12 All property, other than financial products in which You have an interest or which at any time are in the possession or control of us shall be subject to a lien for the discharge of any or all indebtedness or any other obligation that You may have to us. You must pay to us the costs and expenses of collection of any such indebtedness.
- 8.13 In accordance with the provisions of the Corporations Act 2001 (and the regulations made thereunder), pending settlement by You, these Terms and the relevant Confirmation (if any) constitutes notice to You that we may deposit the financial products purchased for You in a particular transaction as security for a loan if we have received and paid for such financial products on Your behalf.

### **CALL FOR FUNDS OR SECURITY**

- 8.14 We may call for payment of money, or the provision of other security, to us that we consider, in our absolute discretion, appropriate in connection with the obligations incurred by us in respect of contracts in Options entered into on Your account. The time by which You must pay any amount called, or provide security, is of the essence and if no other time is stipulated in this Agreement, You must pay the amounts, or provide the relevant

security within 24 hours of the call for payment. You acknowledge that the amount called may be in excess of the margin requirements established by ASX Clear, and that the call may be made by us either by notifying You in writing (including by email or electronic statement) or verbally.

- 8.15 You authorise the use of any securities we hold as sponsor on CHESS, to be lodged with or otherwise made available to ASX Clear, as security for deposits or margins payable to ASX Clear in respect of Your account.

## OPTIONS

- 8.16 Unless we hold sufficient monies or financial products on Your behalf to settle a transaction, You must pay any amount and deliver any financial products, which You are liable to pay or deliver in connection with a transaction in Options by 9:00am on the business day following the date of entry into the transaction.
- 8.17 Notwithstanding the above sub-clause, we may notify You verbally or in writing of a shorter period for payment or delivery and You agree to meet any such shortened deadline.
- 8.18 You must make such arrangements for transfer of securities or payment of amounts on exercise or assignment of Options that are held on Your account, as we reasonably require and notify to You. In particular, You must by close of business on the day on which You are notified of the exercise or assignment of an open contract, in respect of Your account, either:
- notify us that You intend to complete the transaction arising from the exercise or assignment, or
  - instruct us to take other steps to settle the obligations arising from exercise, including entering into another transaction in Options or exercising any open contract.

## MARGIN CALLS AND COVER

- 8.19 We may call for payment of money or the provision of other security (Clearing Participant Cover) which we consider, in our absolute discretion, appropriate in connection with the obligations incurred by us in respect of Options Contracts entered into on Your account. You acknowledge that we are entitled to call for Clearing Participant Cover of an amount or value which exceeds the amount of the Cover which we are required to provide to ASX Clear in respect of the Options Contracts registered with ASX Clear in Your Trading Account. The time by which You must pay any amount called or provide security is of the essence. You must pay the amounts, or provide the relevant security, within 24 hours of the call for payment.
- 8.20 You authorise us to withdraw or otherwise apply funds or financial products held on Your behalf to partially or fully satisfy such calls.
- 8.21 If You make money or financial products available to us as Clearing Participant Cover, You:
- warrant that You are legally entitled and authorised to do so, and that the Clearing Participant Cover is free from all Encumbrances, and
  - authorise us to pay the money and/or make the financial products available to ASX Clear as Cover.
- 8.22 We may provide money or other financial products to ASX Clear as Cover for its Clearing Obligations and we will retain any interest we receive on such money.

## 9. ACCOUNT SECURITY (TERMS OF ONLINE ACCESS)

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- 9.1 Once Your application to open a Trading Account is accepted by us and Your Trading Account is registered we will issue You secure login details via secure email (**Login Details**).
- 9.2 For joint accounts, will give all account holders Login Details.
- 9.3 You agree:
- to keep Your Login Details confidential and to not disclose these details to anyone. You and Your Authorised Representative are solely responsible for the use of any Login Details and for keeping them secure;
  - to set Your password to contain characters unique or unusual, and not common or predictable in any way;
  - to change Your password regularly or when prompted;
  - to make reasonable efforts to maintain security over any computer through which You log on to our website;
  - we make no representations or warranty as to the security of data stored either on our web server or on the web servicers of parties engaged by us to provide all or part of our services; and

- f. upon becoming aware of a breach of security, You must notify us immediately and suspend the use of all electronic communications until we are satisfied that appropriate steps have been taken to ensure the security of electronic communications with You.

## 10. ACCOUNT CLOSURE

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- 10.1 If You wish to close Your Trading Account You will need to have given us:
  - a. all funds required for us to pay for financial products which You have bought;
  - b. all financial products for which You are liable under these Terms to deliver for sale; and
  - c. all amounts payable to us.
- 10.2 We also reserve the right to terminate or limit access to our services or to Your Trading Account in our absolute discretion if You breach these Terms.
- 10.3 In the event we close Your Trading Account we will not be liable to You for any losses You may suffer directly or indirectly as a result of that closure.

## 11. LIABILITY AND INDEMNITY

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- 11.1 Subject to the provisions of the Trade Practices Act and the Australian Securities and Investments Commission Act, and any other rights implied by law, which cannot be excluded by agreement between the parties:
  - a. we make no warranties, either express or implied, as to appropriateness, fitness for a particular purpose, or otherwise (including as to accuracy, currency, availability, completeness or quality), with respect to the services supplied under these Terms;
  - b. we shall not be liable for any loss or damage, including any consequential or indirect loss, arising as a result of or in connection with (without limitation):
    - i. any breach by You of this Agreement, the Rules including the ASIC Market Integrity Rules, the Corporation Act or the rules of any other relevant authority;
    - ii. You failing to give us information about Your personal circumstances or giving incomplete or incorrect information to us;
    - iii. any delay in the execution of an Order;
    - iv. any unauthorised use of Your Login Details;
    - v. any theft, alteration, addition or loss of data by third parties;
    - vi. any interception by a third party of any electronic communication between us and You; or
    - vii. any disclosure by us of trading activity on Your account to a person You have appointed as an authorised agent.
- 11.2 Except where to do so would contravene any law or make any part of this clause void or unenforceable, in no event shall we be liable for any indirect, special or consequential loss or damage (including, without limitation, loss of profits or revenues) whether arising in contract, tort (including negligence) or otherwise resulting from use of our services supplied under these Terms or the Sponsorship Agreement.
- 11.3 Our liability shall in any event be limited to the re-supply of the services.
- 11.4 You will indemnify us and all of our officers, employees, agents, related parties and associates to the maximum extent permitted by law at all times against all losses, liabilities, damages, costs or expenses incurred directly or indirectly suffered by them and from all actions, proceedings, claims made as a result of Your use of our services, any breach by You of these Term, Your failure to settle any transaction, any breach by You of another agreement with us, any representation or warranty made not being true or correct or us relying upon and acting in accordance with any instruction provided by You (whether by electronic communication or otherwise).
- 11.5 You agree to indemnify us and we are hereby so indemnified from the Trading Account in respect of any indemnity set out in these Terms.

## 12. FORCE MAJEURE

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- 12.1 Neither party is liable to the other for any Loss suffered by the other party where there is an act of war, terrorism, act of God, failure of some or all Relevant Markets to process an Order, or any other force majeure event or incidence beyond our control.

## **13. COMMISSIONS AND BENEFITS**

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- 13.1 We may receive commissions or other financial benefits from some of our service providers. Please read the FSG for more information.
- 13.2 We maintain a trust account for the main purpose of holding funds on Your behalf for trade settlement obligations. These funds remain in our trust account before we transfer them into Your Cash Account or before they are swept by CHESS to meet the daily settlement obligation. You acknowledge and agree that we retain any interest that may be earned on funds in the trust account.

## **14. VARIATIONS**

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- 14.1 We may vary these Terms on notice to You.
- 14.2 Where the variation is minor or its effect is not in our opinion materially adverse to You, we will post an update of these Terms on our website.
- 14.3 For any other variations, we will give You 5 days prior notice, which notice will be either posted on our website, sent to Your email address or posted to Your nominated address or advised to You by some other means (the mode of notification will be at our sole discretion). By placing an Order with us after the notice period has expired (or doing any other act that is specified in the notification given to You) whether or not You had actual receipt of the notice, You agree to be bound by the Terms as varied.
- 14.4 If You do not agree to accept the variation to these Terms, You can exercise Your right to close Your Trading Account under clause 10.
- 14.5 We will notify You via email of any changes to our FSG. These changes will be effective 5 business days after the notification has been issued.

## **15. GST**

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- 15.1 Unless expressly stated otherwise, all fees, charges and other consideration to be provided under these Terms are GST inclusive. Unless a fee is expressly stated to be exclusive of GST, You agree to pay us the GST amount.
- 15.2 You agree to indemnify us and keep us indemnified against any applicable penalties and interest in relation to GST that is paid or payable by us in providing taxable services to You, except to the extent that the penalties or interest arise from or are caused by our fault.

## **16. CONFIDENTIALITY AGREEMENT**

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- 16.1 For the purposes of s275 of the Personal Property Securities Act 2009 You and OpenMarkets hereby agree that neither party will disclose information of the kind mentioned in subsection 275(1) of that Act.

## **17. COMPLAINTS**

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- 17.1 You have a right to complain about Your dealings with us and to have that complaint dealt with in accordance with our complaint resolution procedures set out below.
- 17.2 You have the right to have any complaint about the service You have received from us, or any other aspects of Your dealings with us, investigated and dealt with as quickly as possible in accordance with our complaints resolution procedure.
- 17.3 To assist us in assessing Your complaint, You should set it out in writing, addressed to the Compliance Officer. You should include all relevant detail about the circumstances of Your complaint including relevant documents.
- 17.4 Following receipt of Your complaint, the Compliance Officer will acknowledge receipt of it in writing and provide an estimate of the time it will take to investigate the circumstances. The Compliance Officer will fully investigate Your complaint and liaise with You to obtain further information as required. We will then prepare a written response to You.
- 17.5 We are a member of the Financial Ombudsman Service (FOS). If You continue to have a complaint following our complaint process You have the option to pursue Your complaint with FOS. FOS's contact details are:

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001

Telephone 1300 780 808  
Facsimile (03) 9613 6399

## 18. GENERAL

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- 18.1 These Terms are governed by the law in force in Victoria and both parties submit to the non-exclusive jurisdiction of the courts of Victoria and courts which may hear appeals from those courts. Words used in this document have the meanings given to them in the Exchange Rules, ASX Clear Rules or the ASX Settlement Rules. If You require a copy of these documents contact us. Words expressed in the singular include the plural and vice versa. Unless the context otherwise requires, a reference to a document or agreement includes any variation or replacement of it and a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision. You agree that in the event of any inconsistency between this document and any applicable laws, rules, ASX Clear Rules or ASX Settlement Rules, the latter will prevail to the extent of the inconsistency. You acknowledge that this document is not exhaustive and agree to be bound by other policies and procedures which concern the operations of Your account with us as notified to You from time to time.

# PART 2: CHESS Sponsorship Agreement

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All ASX, NSX and SIM VSE trades transacted through OpenMarkets Australia Limited ABN 38 090 472 012 (OpenMarkets, our, us, we) are settled by the Clearing House Electronic Subregister System (**CHESS**), which is operated by ASX Settlement. This means all Trading Accounts established through us must be CHESS Sponsored by us in order to facilitate the buying and selling of Financial Products through our Services.

By applying for a new HIN or requesting a transfer of your existing HIN in the Trading Account Application (**Application**) You agree to be CHESS Sponsored by OpenMarkets in accordance with the ASX Settlement Rules on the terms and conditions (**Terms**) set out in Part 2 of this Client Agreement – CHESS Sponsorship Agreement (**Sponsorship Agreement**).

## EXPLANATION OF CHESS SPONSORSHIP

The exchange of legal ownership of Financial Products (e.g. shares) bought and sold on market for money is called settlement, which is managed by CHESS. To access CHESS and settle trades on Your behalf You need to be sponsored in CHESS by an authorised broker.

OpenMarkets is both a settlement and clearing participant of the ASX and therefore an authorised sponsoring broker.

In addition to performing settlement, CHESS electronically registers the title (name and ownership) of Financial Products on its subregister. You retain the legal and beneficial ownership to the holdings at all times, subject to these Terms.

Once Your Trading Account is CHESS Sponsored by us, You will be allocated a Holder Identification Number (HIN) by CHESS. Your HIN uniquely identifies You as the holder of Your Financial Products as referred to as Your Sponsored Holdings. You should protect this number and not disclose it to anyone, unless required to do so in Your exchange with our Services or by law.

Having Your Sponsored Holdings attached to one HIN means You can buy and sell shares more quickly than if those shares were individually Issuer Sponsored. It also means You can view and track Your portfolio and its market values using our portfolio tools via our Electronic Trading Facilities.

Once CHESS Sponsored by OpenMarkets, You will need ensure that You notify Your Authorised Representative in writing of any changes to Your registered details, such as Your registered address.

Under this Agreement, we are entitled to charge You the fees that CHESS charges us or for information we obtain at Your request, such as a Securities Reference Number (SRN) for a holding.

If would like to discuss the Terms of CHESS Sponsorship with us, please contact your Authorised Representative.

## 1. INTERPRETATION

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- 1.1 Any terms used in this Sponsorship Agreement, which is defined in the ASX Settlement Rules, has the meaning given in those Rules. If You require a copy of these definitions, please contact us.

## 2. OUR RIGHTS AND OBLIGATIONS

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- 2.1 Where You authorise us to buy Financial Products, You will pay for those Products within three (3) business of the date of purchase.
- 2.2 Subject to Clause 2.3, we are not obliged to Transfer Financial Products (i.e. settle buy orders) into Your Sponsored Holding (HIN) if we have not received payment for that Product.
- 2.3 Where a contract for the purchase of Financial Products remains unpaid, we will contact You in writing to demand You pay for the Financial Products. After two (2) business days from Settlement Date, if the Financial Products remain unpaid, we may sell those Products as necessary to cover the default at Your risk and expense and that expense will include brokerage. Renounceable rights that relate to the Financial Products in Your HIN will be treated in the same manner as the Products themselves.
- 2.4 In the cases we claim that an amount lawfully owed to us has not been paid by You, we have the right to refuse to comply with Your Withdrawal Instructions, but only to the extent necessary to retain Financial Products of the minimum value held in a Sponsored Holding (where the minimum value is equal to 120% of the current market value the amount claimed).

### **3. YOUR RIGHTS AND OBLIGATIONS**

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- 3.1 Subject to Clauses 2.3 and 2.4 we will initiate any Transfer, Conversion or other action necessary to give effect to Withdrawal Instructions within one (1) business day of the date of the receipt of the Withdrawal Instructions.
- 3.2 We will not initiate any Transfer or Conversion into or out of the Sponsored Holding without Your express authority.
- 3.3 The regulatory regimes which apply to us are outlined in clause 7.1 in Part 1 of this Agreement and include the Corporations Act (Cth), ASIC Market Integrity Rules, ASX Operating Rules, ASX Settlement Rules, ASX Clear Operating Rules, NSX Business Rules and SIM VSE Business Rules.
- 3.4 You may lodge a complaint against us or any claim for compensation with ASIC, ASX, ASX Settlement, ASX Clear, NSX, SIM VSE or the Financial Ombudsman Service Limited (“FOS”).

### **4. OTHER RIGHTS AND DUTIES**

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#### **SUPPLY OF INFORMATION**

- 4.1 You will supply all information and supporting documentation which is reasonably required to permit us to comply with the registration requirements, as are in force from time to time under the ASX Settlement Operating Rules.

#### **EXCHANGE TRADED OPTIONS, PLEDGING AND SUBPOSITIONS**

- 4.2 Where You arrange with ASX Clear to lodge Financial Products in its Sponsored Holding as Cover under the ASX Clear Rules, You authorise us to take whatever action is reasonably required by ASX Clear in accordance with the ASX Clear and ASX Settlement Rules to give effect to that arrangement.
- 4.3 Where You inform us that a charge or any other interest in financial products in Your Sponsored Holding has been given, You authorise us to take whatever action is reasonably required by the person in accordance with the ASX Settlement Rules to give effect to or record that interest.
- 4.4 Where we, in accordance with this Sponsorship Agreement or the ASX Settlement Rules, initiate any action which creates a subposition over Financial Products in Your Sponsored Holding, You acknowledge that Your right to transfer, convert or otherwise deal with those Financial Products is restricted in accordance with the ASX Settlement Rules.
- 4.5 Nothing in this Sponsorship Agreement operates to override any interest of ASX Clear in the financial products.

### **5. FEES**

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- 5.1 You will pay all Fees and associated transactional costs within the period prescribed by us, as outlined in our Financial Services Guide (FSG)

### **6. NOTIFICATIONS AND ACKNOWLEDGMENTS**

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- 6.1 You acknowledge that if we are not a Market Participant of an Approved Market Operator, neither the Approved Market Operator, nor any Related Party of the Approved Market Operator has any responsibility for regulating the relationship between you and us, other than in relation to the rules relating to the Sponsorship Agreement.
- 6.2 You acknowledge that if a Transfer is taken to be effected by us under Section 9 of the ASX Clear Operating Rules and the Source Holding for the Transfer is a Sponsored Holding under the Sponsorship Agreement, then:
  - a. you may not assert or claim against ASX Settlement or the relevant Issuer that the Transfer was not effected by us or that we were not authorised by you to effect the Transfer; and
  - b. unless the Transfer is also taken to have been effected by a Market Participant of an Approved Market Operator or a Clearing Participant of ASX Clear, you have no claim arising out of the Transfer against the compensation arrangement applicable to the Approved Market Operator or the Clearing Participant of ASX Clear under the Corporations Act and Corporations Regulations.
- 6.3 In the event that we breach any of the provisions of this Sponsorship Agreement, You may refer that breach to any regulatory authority, including ASX Settlement.
- 6.4 In the event that we are suspended from CHESS participation, subject to the assertion of an interest in Financial Products controlled by us, or by the liquidator, receiver, administrator or trustee of that Participant:
  - a. You have the right, within twenty (20) Business Days of ASX Settlement giving Notice of suspension, to give

- notice to ASX Settlement requesting that any 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 You do not give notice under clause 6.4(a), ASX Settlement may effect a change of Controlling Participant under Rule 12.19.11 and You 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 Sponsored Holder is deemed to have entered into a Sponsorship Agreement, the new Participant must enter into a Sponsorship Agreement with You within ten (10) Business Days of the change of Controlling Participant.
- 6.5 You acknowledge that in the event of the death or bankruptcy of You, a Holder Record Lock will be applied to all Sponsored Holdings in accordance with the ASX Settlement Rules, unless Your legally appointed representative or trustee elects to remove the Sponsored Holdings from the CHESS Subregister.
- 6.6 You acknowledge that in the event of Your death, this Sponsorship Agreement is deemed to remain in operation, in respect of the legally appointed representative authorised to administer Your estate, subject to the consent of the legally appointed representative, for a period of up to three calendar months after the removal of a Holder Record Lock applied pursuant to Clause 6.5.

## 7. JOINT HOLDINGS

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- 7.1 You acknowledge that in the event of the death of one of the Account Holders, we will transfer all Sponsored Holdings under the joint Holder Record into new Sponsored Holdings under a new Record in the name of the surviving Holder(s), and that this Sponsorship Agreement will remain valid for the new Holdings under the new Holder Record.
- 7.2 You acknowledge that in the event of the bankruptcy of one of the Holders we will:
- a. establish a new Holder Record in the name of the bankrupt Sponsored Holder (unless the legally appointed representative of the bankrupt Sponsored Holder elects to remove the Sponsored Holdings from CHESS), transfer the interest of the bankrupt 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
  - b. establish a new Holder Record in the name(s) of the remaining Sponsored Holder(s) and Transfer the interest of the remaining Participant Sponsored Holder(s) into new Holdings under the new Holder Record.

## 8. CHANGE OF CONTROLLING PARTICIPANT

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- 8.1 In the unlikely event that we can no longer serve You as the Controlling Participant (Sponsoring Broker) of Your Sponsored Holdings, then we will issue You a Participant Change Notice
- 8.2 If You receive a Participant Change Notice at least 20 business days prior to the date proposed in the Notice, You are under no obligation to agree to the change of Controlling Participant, and may choose to do any of the things set out in clauses 8.3 or 8.4
- 8.3 You may choose to terminate this Sponsorship Agreement by giving written Withdrawal Instructions under the ASX Settlement Operating Rules indicating whether You wish to:
- a. transfer Your Sponsored Holding to another Controlling Participant; or
  - b. transfer Your Sponsored Holding to one or more Issuer Sponsored Holdings.
- 8.4 If You do not take any action to terminate this Sponsorship Agreement in accordance with clause 8.3 above, and do not give any other instructions to us which would indicate that You do not agree to the change of Controlling Participant then, on the Effective Date, this Sponsorship 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 this Sponsorship Agreement in substitution for us;
  - b. any rights of ours are transferred to the New Controlling Participant; and we are released by You from any obligations arising on or after the Effective Date.
- 8.5 The novation in clause 8.4 will not take effect until You have received notice from the New Controlling Participant confirming that the New Controlling Participant consents to acting as the Controlling Participant for You. The Effective Date may as a result be later than the date set out in the Participant Change Notice.
- 8.6 You will be taken to have consented to the events referred to in clause 8.4 by the doing of any act which is consistent with the novation of this Sponsorship 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.

- 8.7 This Sponsorship Agreement continues for the benefit of us in respect of any rights and obligations accruing before the Effective Date. To the extent that any law or provision of any agreement makes the novation in clause 8.4 not binding or effective on the Effective Date, then this Sponsorship Agreement will continue for the benefit of us until such time as the novation is effective. We will hold the benefit of this Sponsorship Agreement on trust for the New Controlling Participant.
- 8.8 Nothing in clause 8 will prevent the completion of CHESS transactions by us where the obligation to complete those transactions arises before the Effective Date. This Sponsorship Agreement will continue to apply to the completion of those transactions, notwithstanding the novation of this Sponsorship Agreement to the New Controlling Participant under clause 8.
- 8.9 In the event that any of the transferred holdings comprise AQUA Products, the new Controlling Participant is accredited in accordance with Section 18 of the rules to facilitate settlement of AQUA products.

## 9. COMPLAINTS AND COMPENSATION

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- 9.1 The following compensation arrangements apply to You:
  - a. Should You have a complaint, please contact Client Services;
  - b. Should You feel the matter was not satisfactorily resolved, You have the right to refer to the Financial Ombudsman Service;
  - c. You may lodge a complaint against us or any claim for compensation with ASIC, ASX, NSX, SIM VSE ASX Clear, ASX Settlement or the Financial Ombudsman Service.
- 9.2 If we breach a provision of this Sponsorship Agreement and You make a claim for compensation pursuant to that breach, our ability to satisfy that claim will depend of our financial circumstances.
- 9.3 If a breach by us of a provision of this Sponsorship Agreement falls within the circumstances specified under Part 7.5 of the Corporations Act (Cth), You may make a claim on the National Guarantee Fund for compensation.

## 10. TERMINATION

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- 10.1 Subject to the ASX Settlement Rules, this Sponsorship Agreement will be terminated under the following circumstances:
  - a. by notice in writing from either You or the Broker to the other;
  - b. upon the Broker becoming insolvent;
  - c. upon the termination or suspension of the Broker; or
  - d. upon the giving of Withdrawal Instructions by You to the Broker in accordance with ASX Settlement Rule 7.1.10(c).
- 10.2 Termination of this Sponsorship Agreement under clause 8 will be effective upon receipt of Notice by the other party.
- 10.3 Termination of this Sponsorship Agreement does not affect the existing rights and obligations of You or the Broker at termination, and does not terminate any other Part of this Agreement.

## 11. VARIATION

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- 11.1 Should any of the provisions in this Agreement be inconsistent with the provisions in the ASX Settlement Rules, we will, by giving You not less than seven (7) Business Days written Notice (including by email), vary the Agreement to the extent to which in our reasonable opinion is necessary to remove any inconsistency.
- 11.2 Subject to clause 11.1, we reserve the right to vary this Sponsorship Agreement at any time by giving You not less than 5 Business days' notice of the variation, in writing, by email or through a notice posted on our website.

## 12. COPY OF EXECUTED SPONSORSHIP AGREEMENT

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- 12.1 You authorise us to input Your HIN into the executed Sponsorship Agreement and You do not require a copy of the Agreement. Please contact Client Services if You would like us to send You a copy of Your Sponsorship Agreement.

# Part 3 – Privacy Policy

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This privacy policy describes how OpenMarkets Australia Ltd, the facility and this website ("OpenMarkets") handle and deal with Your personal information. This policy is effective from 25 September 2013.

## Collection of Personal Information

From the information provided by members of the public ("You") when applying for membership with OpenMarkets and requesting the creation of an OpenMarkets account for You and from Your use of the OpenMarkets facility, OpenMarkets collects and stores the following personal information in its digital database:

- Your email address, phone numbers, physical contact information and information used to identify You;
- Log-on and access data, statistics on use of the facility, traffic to and from OpenMarkets and Your use of the OpenMarkets facility including the purchase of investments;
- Other information, including a user's IP address and log-on information and unique identifying information;
- Your credit card, debit card or other financial details where required;
- A shipping or postal address where required; and
- Details of any investments purchased by You by use of the facility;

## Use of Personal Information

OpenMarkets uses Personal Information to:

- provide the facility;
- enforce OpenMarkets' Terms and Conditions of Use and any disclosed policies;
- modify, reconfigure and improve the OpenMarkets facility; and
- provide tailor-made marketing and offers to You according to Your use of the OpenMarkets facility.

## Disclosure

OpenMarkets does not and will not sell or provide Personal Information to any third parties for marketing purposes or any other promotional purposes without Your express consent. OpenMarkets may disclose Personal Information to comply with a lawful request that it do so, to enforce OpenMarkets' Terms and Conditions of Use and enforce any disclosed policies or to ensure that the rights of other users of the OpenMarkets facility are not being violated. OpenMarkets may also share personal information with external service providers who are essential to the conduct of OpenMarkets' business and the facility.

Where, by use of the facility, You apply for a Cash Account with one of our approved providers (or a similar account with any other provider that OpenMarkets may add to the facility in the future) or apply to purchase an investment from that provider (or any other provider that OpenMarkets may add to the facility in the future) OpenMarkets will provide whatever Personal Information is required by that provider in order to process such application for an account or application to purchase an investment. By applying to open an account or by applying to purchase an investment You agree to Personal Information being provided to the selected provider (or any other provider that OpenMarkets may add to the facility in the future) by OpenMarkets.

## Marketing

Where You, on the online application for membership and an account form, tick the box agreeing to accept marketing material, You are agreeing to receive marketing and promotional emails from OpenMarkets unless and until You tell OpenMarkets that You prefer not to receive such emails. If You do not wish to receive any further marketing emails from OpenMarkets You may indicate Your preference by following the directions to do so provided at the foot of the email.

## Your Obligations

You must not use the OpenMarkets services to obtain other persons' email addresses or contact details, to send spam to any person whatsoever or to otherwise breach OpenMarkets' Terms and Conditions. OpenMarkets may from time-to-time automatically or manually scan or filter email messages or other communications sent by You through the OpenMarkets services for any conduct that may breach OpenMarkets' Terms and Conditions of Use and this Privacy Policy.

## Changing Personal Information

If You identify that any of Your Personal Information is incorrect, has changed or is out-of-date, You can access Your Personal Information through the OpenMarkets services and change such Personal Information. Access to the OpenMarkets services to effect such change to Your Personal Information may require You to undertake security steps in order to identify Yourself to the OpenMarkets services before such changes can be effected.

## Security

OpenMarkets uses up-to-date digital tools such as data encryption, passwords and log-ins to protect Your Personal Information against unauthorized access and/or disclosure. OpenMarkets gives no guarantee or promise that such digital tools will always be effective against unauthorized access and/or disclosure of Your Personal Information.

When You become a member of and open an account with OpenMarkets and when You transact on the facility Your IP Address will be recorded in order to ensure the smooth running of the facility and to detect and prevent any unauthorized or fraudulent transactions on Your OpenMarkets account.

## Cookies

OpenMarkets may use Cookies, which are small files or programs which are uploaded to Your hard drive, on certain areas of the OpenMarkets website in order to recognize and remember You when You log in to the facility, to record referral information, to assess the performance of the OpenMarkets website, to customize and improve OpenMarkets' services and to ensure online safety for users. Further, third party website operators that are linked to the services for advertising and other purposes may also use Cookies on their websites and read the Cookies that are associated with Your account. You are free to decline to accept or share Cookies at any time. You acknowledge that declining to accept or share Cookies may impact on Your access to the facility, to services offered by the facility and to the OpenMarkets website. Further, by declining Cookies from the OpenMarkets facility or from third party websites You will not be opting out of OpenMarkets' marketing services.

## General

OpenMarkets may update this policy at any time and such updates will take effect 30 days from the updated policy being uploaded to the OpenMarkets website, whether or not You have accessed the OpenMarkets website in that period.

If OpenMarkets Australia Ltd is acquired by, merges with or sells part of its assets to another corporate entity OpenMarkets may share Your Personal Information with the acquiring corporate entity. If this occurs You shall be notified by email and by a Notice on the OpenMarkets website. However, this policy will continue to apply until such time as the acquiring corporate entity uploads a further Privacy Policy to the OpenMarkets website.

# Part 4 – Financial Services Guide

## GENERAL INFORMATION

### 1. ABOUT THIS FINANCIAL SERVICES GUIDE

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This Financial Services Guide (FSG) provides important information about the services offered by OpenMarkets Australia Limited (referred to in this FSG as “OpenMarkets”, “we”, “our” or “us”) ABN 38 090 472 012. It is to help you decide if you want to use the OpenMarkets services.

The information is about our trading, settlement and clearing services and products provided by third parties that currently support our services. It also discloses the risks and rewards of trading and any financial arrangements we have, as well as how to contact us, and other important information such as safeguarding your interests.

Specifically, should you become an OpenMarkets client by the end of this document you will know:

- Who we are and what our contact details are
- Our products, services and their associated costs
- Any relationships we have with third parties that might influence us in providing our services
- How we, our staff and other related parties are remunerated, and any other benefits we might receive
- How we collect and use your personal information
- Other documents you may receive from us
- Details of our complaints-handling process

### 2. ABOUT OPENMARKETS

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OpenMarkets is a holder of an Australian Financial Services Licence (AFSL no. 246705) issued under the Corporations Acts 2001 (Act) and is located at Level 2, 451 Little Bourke Street Melbourne VIC 3000. We are authorised to deal in general financial services products to retail and wholesale clients.

We are a market participant of ASX Limited (ASX), National Stock Exchange of Australia Limited (NSX) and SIM Ventures Securities Exchange Limited (SIM VSE). This means we can execute trades in each of these markets directly for you.

We are a clearing participant of ASX Clear Pty Ltd and a Sponsoring Broker and participant of CHESS, the clearing and settlement facility operated by ASX Settlement Ltd.

OpenMarkets therefore provides the financial services of a Stockbroker by being responsible for the execution, clearing and settlement services of our clients.

### 3. ABOUT OUR SERVICES

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OpenMarkets operates a non-advisory execution only online trading and stockbroking service for retail investors and traders, wholesale advisers, financial planners and other financial service providers.

Under our license, we can give general advice on, and deal in these products and services:

- Securities
- Bonds
- Derivatives
- Advisory
- Custodial or Depository services
- Managed discretionary accounts

Our services include:

- A web-trading service for retail investors via the OpenMarkets Web platform

- An advanced trading service for active and professional traders utilising third-party desktop software (Pulse) licensed and provisioned by OpenMarkets
- Wholesale broking services for Australian Financial Service Licensees that wish to offer a broking service to their clients through OpenMarkets.

We provide these services directly to our clients. For more information on the products and services offered by OpenMarkets, please visit [www.openmarkets.com.au](http://www.openmarkets.com.au).

## Relationships & Limitations

### 4. ASSOCIATIONS WITH PRODUCT PROVIDERS

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OpenMarkets is associated with other financial products and services from either related or non-related providers and may provide you with such products and services as part of our services. For example, if you wish to use our advanced trader services, we will provision you with a login to use the Paritech's Pulse trading software.

In some cases, we may receive a commission payment from such product providers if you invest in one of their products or services.

See **Appendix B** in this guide for specific information about commissions and contact us if you require any other information about these.

### 5. OTHER DOCUMENTS WE MAY SEND YOU

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If we make a recommendation to use a particular financial product from a third-party provider we will issue you with that provider's Product Disclosure Statement (PDS). A PDS outlines everything you need to know about that product including benefits, costs, terms and conditions, as well as any risks associated with holding that product.

### 6. NO PERSONAL ADVICE

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This information and any advice contained on our website or any other material provided by us has been prepared without taking into account your personal objectives, financial situations or needs. We only provide factual information or general advice about using our products and services, or using the products provided by other licensees. We do not give 'personal advice' as defined by the Act nor accordingly do we issue a Statement of Advice at any time. Therefore, you should carefully consider the appropriateness of our services with regard to your particular circumstances and we strongly recommend you obtain professional advice prior to using our services.

## What's Involved

### 7. HOW TO USE OUR SERVICES

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To access our services, you will need to establish an OpenMarkets trading account and enter into a Client Agreement by completing an OpenMarkets Account Application Form. You should read the terms of the Client Agreement carefully and seek independent legal advice should you have any questions.

To obtain these forms or establish an account, you can contact us:

By web: [www.openmarkets.com.au](http://www.openmarkets.com.au)

By phone: 1300 769 433

By Email: [service@openmarkets.com.au](mailto:service@openmarkets.com.au)

## How To Transact With Us

### 8. RETAIL INVESTORS AND MORE ACTIVE TRADERS

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As a retail client of OpenMarkets, you will receive a unique, secure login to access your account on our OpenMarkets WebTrader platform where you will be able to place orders and transact on the ASX, NSX and SIM VSE markets.

Clients who trade frequently and would like a more advanced trading platform can be provided with a secure login to access the OpenMarkets Pulse desktop platform, a product provisioned and distributed by us through a third-party provider.

You can also give us instructions via the telephone. The method by which we will accept your instructions will be subject to our terms and conditions as outlined in the Client Agreement which can be found on our website and different fees will apply, as outlined in [Appendix A](#).

We do not accept email, SMS, post or fax orders as there is no guarantee of the timeliness and or reliability of such communications.

#### Clients of Third Parties

If you are a client of a third party that is operating under a wholesale agreement with us, such as a financial adviser or planner, then you will need to contact your adviser to execute orders using our services.

All orders are executed in accordance with our Best Execution Policy which can be found on our website at [www.openmarkets.com.au](http://www.openmarkets.com.au).

### 9. LINKED CASH MANAGEMENT ACCOUNT

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To trade through OpenMarkets, a Macquarie Cash Management Account (CMA) must be established and linked to your trading account. This is for the purpose of settling transactions and fees on your account. When you open an account with us, you authorise OpenMarkets to establish a Macquarie CMA on your behalf.

If you have an existing Macquarie CMA, you may choose to authorise OpenMarkets to link this account instead. Please refer to the instructions on our website, the Application or Clause 5 in the Client Agreement for more information.

For more information about Macquarie's CMA services and the benefits of an integrated CMA, please refer to Macquarie's product disclosure statement (titled Product Information Statement) which can be found on our website or at [www.macquarie.com](http://www.macquarie.com)

### 10. CAN I SHORT SELL FINANCIAL PRODUCTS?

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No, OpenMarkets does not permit the short selling of financial products (as defined by the Act) in any form. Additionally, since all Trading Accounts established through OpenMarkets must be CHESS sponsored by us, all of your holdings are visible to both you and us at all times and as we apply pre trade risk management, you will not be permitted to sell or oversell a financial product that you don't own.

### 11. WHAT YOU SHOULD KNOW ABOUT THE RISKS OF TRADING AND INVESTING

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Before becoming a client it is essential to understand that trading or investment in any market has risks. While securities and derivatives may offer the potential for substantial gains or a range of returns in between, the risk of loss in share market trading can also be substantial.

The value of a security or derivative may rise and fall considerably depending on what other people are prepared to pay for a share at the time of sale. Such price volatility will depend on many factors, including information about the company, market sentiment, opinions about the country the security or derivative traded in, the prospects for the industry and many other factors.

Sometimes companies go bankrupt and investors may lose the entire value of their investment in it. Or under certain circumstances it can become extremely difficult to liquidate a position because there is not enough demand for it. In other words to sell a financial product, there must always be a buyer. Factors such as a negative report, a tsunami or corrupt actions (to name but a few) can all affect buyer sentiment.

The placing of contingent orders (such as a ‘stop loss’) is a good protection but does not guarantee to limit the loss at the specified price. Market conditions may make it impossible to execute the trade as ordered because the price can gap down or be in a trading halt.

This brief statement does not disclose all of the risks and other significant aspects involved in trading or investing in financial markets. You should carefully consider what kind of trading or investment would suit your needs, taking into account your own specific circumstances (age, resources, needs, income, objectives, motivation etc) and consider learning more about trading and investing before becoming involved in it.

## Payment Made To Us And By Us

### **12. FEES PAYABLE FOR OUR SERVICE**

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See Appendix A in this FSG for details on the current list of fees that you will be charged for using our services. Most prices are inclusive of GST unless otherwise indicated.

### **13. REMUNERATION & OTHER BENEFITS WE RECEIVE**

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OpenMarkets is remunerated directly by the fees we charge you. With respect to some financial products, such as your brokerage cash management account (CMA), we are also remunerated by way of commission or other payments from the product issuer. Details of these commissions are set out in Appendix B of this guide.

### **14. Third-Party Agreements**

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OpenMarkets may have an agreement with a number of Australian Financial Services Licensees allowing them to provide a broking service to their clients through OpenMarkets. Under these agreements, OpenMarkets will collect brokerage, other fees associated with trading (as outlined in Appendix A) as well as any software subscription fees.

### **15. REFERRALS & OUTGOINGS**

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Employees and Directors of OpenMarkets and their subsidiaries and related bodies receive salaries, and may also receive bonuses and other benefits. OpenMarkets may receive referrals from third parties. We may pay a commission of up to 50% of any revenue generated by such referrals. Any remuneration received by a third party is not an additional cost to you nor does it affect the fees we charge when investing in our products.

## Safeguards

### **16. PERSONAL INFORMATION**

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The privacy of your personal information is important to us and any information we collect from you will be handled in accordance with our Privacy Policy, available via our website. This Policy details how we comply with

the requirements of the Privacy Act regarding the handling of your personal information. Only where we are legally obliged to do so, would we disclose information we have gathered about you to regulatory or law enforcement agencies.

## 17. PROFESSIONAL INDEMNITY INSURANCE

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We maintain professional indemnity insurance for compensation as required by the Act. This insurance provides money to pay claims against us or our employees and representatives, allowing us to compensate clients or their beneficiaries for loss of damage suffered in limited circumstances of negligence.

## 18. DISPUTE RESOLUTION PROCESS

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Our reputation, honesty and high standard of client service are important to us. So that we act with integrity we have a complaints procedure designed to make sure all concerns are treated seriously and that any complaint is addressed promptly and fairly.

If our level of service should fail to meet with expectations we would like to hear about it. Any complaint about your dealings with OpenMarkets or associated products or services should be communicated to our Client Services Team:

By phone

1300 769 433

By email

[service@openmarkets.com.au](mailto:service@openmarkets.com.au)

By mail:

OpenMarkets Client Services

Level 2, 451 Little Bourke Street

Melbourne VIC 3000

If, after giving OpenMarkets Client Services team the opportunity to resolve your complaint, you are not satisfied, you can lodge a complaint in writing to:

Mail:

Financial Ombudsman Service Ltd (FOS)

GPO Box 3

Melbourne VIC 3001

Please note that for FOS to handle a complaint, the complaint should relate to a financial loss of up to \$150,000. Further information is available from OpenMarkets or FOS.

For more information please contact FOS directly via:

Phone: 1300 780 808

Fax: (03) 9613 6399

Web: [www.fos.org.au](http://www.fos.org.au)

The Australian Securities and Investments Commission (ASIC) also has an Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

## 19. FEEDBACK

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Our ethos is about being open and receptive to our clients' needs, concerns, suggestions and ideas. We welcome opportunity to engage with you directly. Should you wish to provide us with feedback, please contact our Client Services Team using the contact details above.

# Appendix A – Fees and Charges

The fees outlined in this Appendix relate directly to the OpenMarkets financial services. All fees and charges are inclusive of GST unless otherwise stated.

## BROKING FEES & CHARGES

Brokerage is charged as determined by your adviser. Confirmations are issued at the end of day for a buy or sell in an individual stock (the order may not be complete). If the balance of the order is filled the next day then a new confirmation would be issued and an additional confirmation charge is applied.

Brokerage on Options also includes:

GST – GST will be charged to you on all brokerage and fees, currently at the rate of 10%.

INTEREST – ASX Clear will pay interest to OpenMarkets on cash lodged as collateral to cover ASX Clear margins. Any interest paid by ASX Clear to OpenMarkets will be at the Reserve Bank cash rate less 65 basis points (0.65%).

ASX CLEAR FEES – ASX Clear charges a registration fee of \$0.143 per equity option contract, including GST. If you exercise or are assigned on an equity option position, ASX Clear charges an exercise fee of \$0.055 per contract, including GST. In the case of index options, ASX Clear charges a registration fee of \$0.495 per contract and an exercise fee of \$0.385 per contract (both inclusive of GST).

The exact cost of your transaction will be disclosed on your confirmation.

## BANKING SERVICES

The Cash Management Account (CMA) you select for your client may earn a competitive interest rate, which is subject to change without notice. Typically CMAs involved no monthly account-keeping or management fees, nor cash withdrawal fees in relation to your CMA. There are no minimum deposits but may be minimum requirement to withdraw or deposit cheques.

Please refer to the provider's Product Information Statement for the latest information on fees and minimums.

## OTHER FEES & CHARGES

OpenMarkets is committed to keeping fees to a minimum and we do not charge for services related to account opening or email trade confirmations however sometimes extra fees will apply for additional services as outlined below.

Fee Type	Charge (including GST)	When is it payable?
ASX BookBuild Allocation	TBA at time of bookbuild	On settlement date of the issue
International Client Account opening	\$100 per account	If you are based outside Australia and wish to establish a trading account with OpenMarkets
SRN Query	\$27.50 per search	If the need to look up a Securities Reference Number (SRN) should arise and you do not provide an accurate SRN to OpenMarkets
Settlement Fail	\$110 per day or 0.1% (whichever is greater)	If you do not settle a trade or supply holder information within the T+1 or T+3 timeframe, fail fees will be charged to your account
Trade rebooking	\$13.95 per transaction	When a trade needs to be cancelled and rebooked to a different account

Interest on debit cash account balances	0.04% of the daily debit balance	Interest charge applied to your account should funds be withdrawn from the linked CMA and there are outstanding settlements which result in the account being overdrawn
Off-market transfer	\$27.50 per transfer	If you wish to transfer securities between other entities and your OpenMarkets CHESS account. These fees will not apply to security transfers when establishing your trading account
Rejected direct debit	\$55 per transaction	When a debit processed by OpenMarkets against your cash account is rejected due to insufficient funds or incorrect details provided
Urgent transfers	\$27.50 per request	If you request OpenMarkets to transfer funds into your bank account same day via Real Time Gross Settlement (RTGS)
International telegraphic transfer	\$75 per transaction	When you request that OpenMarkets pays funds into an international bank account in your name
Banking Facilitation	\$100 per transaction	When you request that OpenMarkets performs a banking function on your behalf, like a BPAY for an entitlement or acceptance offer

## SOFTWARE FEES

Software license fees relating to the provision of the OpenMarkets Pulse platform will be applied as indicated below. This software is provided by Paritech Pty Ltd and IRESS Limited.

SOFTWARE FEES	
Software and Data	Fee (including GST)
PULSE LICENSE - RETAIL  Software licenses include: • ASX, NSX and SIM VSE live market data & news • ASX real-time royalties	The Pulse retail fee is \$125 per month.  This fee will be debited from your linked CMA on a quarterly basis at the end of the quarter <b>but will be waived if you generate in excess of \$600 in brokerage to OpenMarkets per quarter.</b>
IRESS TRADER - RETAIL  Software licenses include: • ASX, NSX and SIM VSE live market data & news • ASX real-time royalties	The Iress Trader fee is \$160 per month.  This fee will be debited from your linked CMA on a quarterly basis at the end of the quarter <b>but will be waived if you generate in excess of \$600 in brokerage to OpenMarkets per quarter.</b>
PULSE LICENSE - PROFESSIONAL  Pulse software (per license) includes: • ASX, NSX and SIM VSE live market data & news • ASX real-time royalties	The Pulse Adviser fee is \$180 per month, charged on a monthly basis.
IRESS LICENSE - PROFESSIONAL  Iress Trader or Iress Pro (IOS+) for professional clients	Pricing varies depending on requirements so please contact our sales team to discuss.

## Appendix B – Commissions & Benefits

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OpenMarkets may receive commissions and other benefits from some product providers that support the provision of our services.

Any remuneration received by a third party is not an additional cost to you nor does it affect any of your investments.

Other benefits:

- We maintain a Trust account for the purposes of holding funds that are used for share trading and will retain any interest that may be earned on this account.

## Part 5 - Best Execution Policy

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As a market participant, OpenMarkets Australia Limited ABN 38 090 472 012 AFSL No. 246705 has an obligation to take reasonable steps to obtain the best outcome for our clients when handling and executing client orders. We've outlined those steps here in this Best Execution Policy.

Execution venues considered with respect to achieving Best Outcome are ASX TradeMatch, ASX CentrePoint and Chi-X Australia.

### BEST OUTCOME FOR RETAIL CLIENTS

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For retail clients, best outcome will mean the best total consideration.

Total consideration means:

- a) for a buy order: the purchase price you pay when your order is executed, plus transaction costs, and
- b) for a sell order: the sale price you receive when your order is executed, less transaction costs.

All orders placed online will be transmitted automatically using our automated client order-processing system and will be transmitted in accordance with price-time priority based on the order parameters you selected.

Where you give us specific instructions, we'll take reasonable steps to execute those instructions, even though they may not achieve the best outcome for you provided they don't conflict with other obligations under the OpenMarkets Client Agreement, the Corporations Act 2001 (Cth), the ASIC Market Integrity Rules and any other relevant laws.

Your orders will be treated in accordance with the market price-time priority rules, the relevant Market Operating Rules and ASIC Market Integrity Rules.

Orders that don't pass our automated filters may be transmitted manually by one of our Designated Trading Representatives. Where an order is transmitted manually, it will be transmitted in accordance with your instructions. We also take into account factors such as the liquidity of the market and the likely price impact.

If we receive a reasonable request from you, we'll give you evidence that we've executed the order in accordance with the OpenMarkets Client Agreement and our policies and procedures. When we receive a request from you, we'll advise you of the estimated time to provide the necessary information.

We may amend or vary this policy for legitimate business, prudential or regulatory reasons. We'll inform you if there are any amendment.

# PART 6 - Options Product Disclosure Statement

## GENERAL INTRODUCTION

### 1. IMPORTANT INFORMATION

- 1.1 This is an important document. Please read it carefully and make sure you understand it before accepting its terms. Within this Product Disclosure Statement (PDS) for Options and the Client Agreement, a reference to:
  - a. Options includes exchange traded options (ETOs), low exercise price options (LEPOs) and ASX Derivative Products, and
  - b. ETOs include equity ETOs, index ETOs and LEPOs.
- 1.2 This PDS is in two parts. The first part contains all information other than the Schedule of Fees. The second part contains the Schedule of Fees. You should read both parts of the PDS before making a decision to buy or sell Options and you should retain it for future reference.
- 1.3 OpenMarkets Australia Limited (ABN 38 090 472 012) (OpenMarkets) has prepared this PDS dated 1 December 2013. Pursuant to the Corporations Act 2001 (Corporation Act), OpenMarkets is deemed to be the issuer of ETOs or LEPOs (together, Options, ETOs or ASX Derivative Products) when these products are bought or sold on the ASX through OpenMarkets. Options issued by OpenMarkets are interchangeable with contracts issued by any other Participant of ASX Group. A list of companies and indices over which Options may be bought or sold is available at [www.asx.com.au](http://www.asx.com.au), together with a list of current Option codes, and delayed price information. This PDS has not been lodged with the Australian Securities and Investments Commission (ASIC) and is not required by the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.
- 1.4 This PDS is designed to assist you in assessing whether Options are appropriate for you. It is an important document and you should read it in full. The shares and Options markets are volatile. Investments in shares and Options may involve a high degree of risk and are not suitable for all investors. Losses may be incurred as a result of movements in the underlying share or market index. If you are in any doubt as to the suitability of Options you should contact your Adviser before entering into an Options contract. Although the information in this PDS is current as at the date of publication, it is subject to change from time to time. Where such information is not materially adverse, we will provide updates at [www.openmarkets.com.au](http://www.openmarkets.com.au). A hard copy is available on request at no charge to you. We may also be required to issue a new or supplementary PDS as a result of certain changes, in particular where the changes are materially adverse to you. Any new or supplementary PDS will be available at [www.openmarkets.com.au](http://www.openmarkets.com.au).
- 1.5 It is not possible in this PDS to take into account your investment objectives, financial situation and particular needs (your personal circumstances). OpenMarkets does not guarantee the performance of any Option.
- 1.6 Nothing contained in this PDS constitutes the giving of general or personal financial product advice or a recommendation concerning the entry into transactions or participation in Options. In preparing this document OpenMarkets has not taken into account your personal circumstances. Before making a decision whether to invest in Options, you should seek independent tax advice.
- 1.7 Should you enter an Option transaction with OpenMarkets, it will be on the terms and conditions set out in the Client Agreement and this PDS (Terms). These Terms may include any additional terms as may be agreed between you and OpenMarkets in writing before your Options Client Account Form is signed. It is important that you read these Terms in full, as they set out your rights and obligations in relation to Options.

**1.8** The terms "we", "us" and "our" used in this PDS is a reference to OpenMarkets.

## PRODUCTS COVERED

**1.9** This PDS relates to Options traded on the market operated by ASX Limited (ACN 008 624 691) (ASX) and settled and cleared by ASX Clear Pty Ltd (ACN 001 314 503) (ASX Clear).

## ABOUT OPENMARKETS

**1.10** OpenMarkets is a Market Participant of ASX, NSX and SIM VSE as well as a Clearing Participant of ASX Clear. It is also a Participant of ASX Settlement Pty Limited (ASX Settlement). OpenMarkets is the holder of Australian financial services licence number 246705 and provides a range of financial services to private and institutional clients as set out in its FSG contained in its Client Account documentation available online at [www.openmarkets.com.au](http://www.openmarkets.com.au). OpenMarkets is required to comply with the provisions of the Corporations Act as administered by ASIC. If you have any queries in relation to this PDS or the services we provide, please do not hesitate to contact Client Services by email at [service@openmarkets.com.au](mailto:service@openmarkets.com.au) or by calling 1300 769 433.

## ASX EDUCATIONAL BOOKLETS

**1.11** ASX has prepared a number of educational booklets relating to Options. The current booklets are available free of charge to you via OpenMarkets's website at [www.openmarkets.com.au](http://www.openmarkets.com.au) or ASX's website at [www.asx.com.au](http://www.asx.com.au). A number of ASX booklets are relevant to Options and this PDS including:

- a. Options, A Simple Guide - A simple fact sheet on the basics of Options;
- b. Index Options - A simple fact sheet on the basics of index options;
- c. Understanding Options Trading - Discusses the features and contract specifications of Exchange Traded Options, the risks and advantages in trading Options and gives examples of how ETOs work along with basic Option trading strategies;
- d. Understanding Option Strategies - Discusses in more detail how ETOs may be used in various trading strategies;
- e. Margins - Explains what margins are, how they are calculated by ASX Clear and how a Clearing Participant may meet its margin obligations to ASX Clear;
- f. Understanding Low Exercise Price Options - Explains what LEPOs are and discusses the specific features, risks and advantages in trading LEPOs;
- g. Using Options for Margin Lending - A fact sheet on the use of Options to add to your margin lending capabilities;
- h. Taxation Treatment of Options - An explanation from the accounting firm Deloitte as to the appropriate tax treatment of ETOs.

**1.12** The ASX website, [www.asx.com.au](http://www.asx.com.au), contains Options calculators, tools and trading information which may be useful to you. If you cannot access the above ASX booklets via that website, please contact ASX.

## 2. BASIC FEATURES OF ETOs

**2.1** The following discussion is not intended to be a detailed discussion of all features of ETOs, but rather to identify some of the key features of ETOs. For a more detailed description, you should refer to information under the heading ASX Educational Booklets in section 1 of this PDS.

## TYPES OF ETOs

**2.2** The three types of ETOs traded on ASX are as follows:

- a. Equity options are options over financial products quoted on ASX, for example, shares of listed companies. These options are known as deliverable options in the sense that, upon exercise, one party must take delivery of the underlying financial product;
- b. Index options are options over an index such as the S&P/ASX 200 Index. These options are known as cash settled options in the sense that, upon exercise of an option, the Buyer (taker) of the option will have the right to receive an amount of money and the Seller (writer) will have a corresponding obligation to pay that amount (provided the option is in the money). The amount of money will be determined by the difference between the exercise level (set by ASX) and the Opening Price Index Calculation (OPIC) as calculated by ASX on the expiry date of the option. The OPIC is based on the first traded price of each constituent stock in the index on the expiry day (if a constituent stock does not trade on the expiry day, the last traded price from the previous trading day will be used). Cash settlement occurs in accordance with the rules of ASX Clear;
- c. LEPOs are call options with an exercise price of one cent per underlying share or in respect of index LEPOs, an exercise level of one point of the underlying index. In other words, they function in a similar way to equity options, but with a very low exercise price.

## USE OF ETOs

- 2.3** ETOs are a versatile financial product which can allow investors to:
- a. hedge against fluctuations in your underlying share portfolio;
  - b. increase the income earned from your portfolio (through the earning of premium income);
  - c. increase returns from leverage;
  - d. diversify your portfolio, and profit from market movements.
- 2.4** Their flexibility stems from the ability to both buy (take) and sell (write) an ETO contract and undertake multiple positions targeting specific movements in the overall market and individual underlying shares. Index options can be used to trade a view on the market as a whole, or on a sector of the market that is covered by a particular index. The use of ETOs within an investor's overall investment strategy can provide flexibility to take advantage of rising, falling and neutral markets. However, both the purchase and sale of ETOs involve risks, which are discussed in greater detail later in this PDS.

## CONCEPTS

- 2.5** The following concepts need to be understood before trading in ETOs:
- a. the effect that time has on a position or strategy;
  - b. how volatility changes, both up and down, may affect the price or value of an option and the potential outcome;
  - c. how to calculate margins and worst case scenarios for any position;
  - d. the likelihood of early exercise and the most probable timing of such an event;
  - e. the effect of dividends and capital reconstructions on an option position, and
  - f. the liquidity of an option, the role of market makers and the effect this may have on your ability to enter and exit a position.
- 2.6** Whilst this PDS provides product information including information about the risks, characteristics and benefits of Options, you should inform yourself of and if necessary, obtain advice about the specific risks,

characteristics and benefits of the Option you intend to trade and the relevant ASX rules.

## STANDARDISED CONTRACTS

- 2.7 The terms and specifications of ASX's ETOs (other than the premium, which is negotiated between the Buyer (taker) and Seller (writer)) are determined by ASX in accordance with ASX's rules. Details of the contract specifications and standardised features for ETOs traded on ASX are published by ASX on their website. ASX determines the key contract specifications for each series of ETO. For example, in the context of equity options, ASX sets the following:
- a. the underlying security (e.g. NAB);
  - b. whether the option is a call option or a put option;
  - c. the contract size - the number of units of the underlying security to which the option relates. The contract size for equity options set by ASX is usually 100 (e.g. one contract is equal to 100 NAB shares). The contract size of Index Options is usually \$10 per index point;
  - d. exercise style – that is, American style or European style;
  - e. the exercise price (or strike price) – the specified price at which the Buyer of an equity option can, through exercise of the option, buy (in the case of a call option) or sell (in the case of a put option) the underlying securities, and
  - f. the expiry date.
- 2.8 In accordance with its rules, ASX may make an adjustment to any of the above specifications, as discussed below under the heading "Adjustments" below. Similarly, for index options, the relevant parameters will also be set by ASX, including the underlying index, index multiplier, exercise style (European), exercise level intervals of the option and expiry date. Some of the concepts referred to above, such as contract size, exercise style, exercise price and expiry date are discussed in more detail below.

## BUYERS (TAKERS) AND SELLERS (WRITERS)

- 2.9 Every ETO contract has both a Buyer (taker) and a Seller (writer). Buyers of ETOs are referred to as takers as they take up the right to exercise the option (e.g. the right to exercise the option and either buy or sell the underlying shares at the exercise price, in the case of an equity option).
- 2.10 Sellers of ETOs are referred to as writers because they underwrite (or willingly accept) the obligations, which are required to be performed upon exercise of the option (e.g. to buy or sell the underlying shares at the exercise price, in the case of an equity option).

## CALL AND PUT OPTIONS

- 2.11 ETOs may be call options or put options. The type of call options and put options will depend on whether the options are equity options or index options.
- 2.12 For equities, a call option gives the Buyer (taker) the right, but not the obligation, to buy a quantity of underlying shares at a pre-determined price on or before a pre-determined date. If the Buyer exercises their right to buy, the Seller (writer) to which the exercise notice is assigned by ASX Clear, is required to sell the quantity of shares at the pre-determined exercise price.
- 2.13 For equities, a put option gives the Buyer the right, but not the obligation, to sell a standard quantity of underlying shares at a pre-determined price on or before a pre-determined date. If the Buyer exercises their right to sell, the Seller to which the exercise notice is assigned by ASX Clear is required to buy the quantity of shares at the pre-determined exercise price.

- 2.14** In relation to an index, a call option gives the Buyer the right, but not the obligation to exercise the option. If the OPIC level of the index exceeds the exercise level of the index option, the Buyer will, upon exercise of the option, have the right to receive an amount of money that is determined by multiplying the difference between the closing level and the exercise level by the index multiplier specified by ASX. If the Buyer exercises the option, the Seller to which the exercise notice is assigned by ASX Clear, is required to pay the corresponding amount.
- 2.15** In relation to an index, a put option gives the Buyer the right, but not the obligation to exercise the option if the OPIC level of the index is less than the exercise level of the index option. The Buyer will on exercise of the option, have the right to receive an amount of money as detailed for a call option and the Seller will need to pay the corresponding amount.

#### EXERCISE STYLE

- 2.16** ETOs may be of American or European exercise style. American style options can be exercised at any time prior to and including the expiry day. European style options can only be exercised on the expiry day and not before. Most equity ETOs are American style options. Index ETO and LEPOs are European style options.

#### PREMIUM

- 2.17** As noted, the only term of an option contract an investor trades on ASX that is not set and pre-determined by ASX, is the price of the contract. The price, known as the premium is negotiated between the Buyer (taker) and Seller (writer) of the ETO through the market.
- 2.18** The premium for an equity ETO is quoted on cents per underlying share basis, so the dollar value payment is calculated by multiplying the premium amount by the number of underlying shares (which, as discussed above, is usually 100 at the time the option series is opened, but may be adjusted by ASX). For example, if you buy one call option with a premium quoted at 25 cents per share and the contract size is 100, the total premium value is \$25.00 (being  $0.25 \times 100$ ).
- 2.19** The premium for an index option is calculated by multiplying the premium (specified in terms of the number of points of the index) by the index multiplier. For example, a premium of 30 points with an index multiplier of \$10.00 represents a total premium value of \$300 per contract.
- 2.20** The value of an Option will fluctuate during its life depending on a range of factors including the exercise price, the price of the underlying share, the level of the underlying index, the volatility of the underlying share or index, the time remaining to expiry, interest rates, dividends and general risks applicable to markets.
- 2.21** Option premium can be separated into two parts – intrinsic value and time value. Different factors influence intrinsic and time value. Intrinsic value is the difference between the exercise price of the ETO and the prevailing market price of the underlying shares at any given time. Time value represents the amount you are prepared to pay for the possibility that the market might move in your favour during the life of an ETO. The time value is determined by:
- volatility;
  - time to expiry;
  - interest rates, and
  - market expectations.
- 2.22** As the expiry date draws nearer, the time value diminishes. This erosion of ETO value is called time decay. Time value does not decay at a constant rate however, typically increasing in rate as the expiry date draws closer. As a general guide, an ETO will lose a third of its time value during the first two thirds of its life and

lose the remaining two thirds of its time value during the last third of its life.

- 2.23 Volatility is one of the most important influences in the price of an ETO. Volatility measures the amount by which an underlying share is expected to fluctuate in a given time period. Volatility contributes significantly to the price of ETO premium and time value. The higher the volatility, the more chance the option has of becoming profitable before expiration. Generally, the more volatile the market, the higher the premium will be as the Seller is exposed to a greater possibility of incurring loss. The receipt of higher premium is compensation for this increased risk.
- 2.24 A rise in interest rates will increase call option premiums and reduce put option premiums.
- 2.25 Ultimately, supply and demand determine the market value of all Options. During times of strong demand, premiums will generally be higher.
- 2.26 If an underlying share goes ex-dividend during the life of an ETO, the premium of a call option will be lower as shares tend to fall in value on going ex- dividend. Conversely, if the share had not gone ex-dividend during the life of the option, the premium of a put option becomes higher. This is because share price declines make call options less valuable and put options more valuable.
- 2.27 Most Option pricing involves the use of a mathematical formula that includes the calculating of intrinsic and time values of the particular Option. You should refer to the information under the heading Option pricing fundamentals in the ASX Booklet Understanding Options Trading for more information regarding the fundamentals of pricing Options. ASX also provides a pricing calculator on its website at [www.asx.com.au](http://www.asx.com.au).

#### "OUT OF", "AT" OR "IN THE MONEY"

- 2.28 A call option is out of the money if the strike price of the option is greater than the market price for the underlying security or index. That is, any purchase of a security will be at a price higher than the market price. A put option is out of the money if the strike price of the option is lower than the market price for the underlying security or index.
- 2.29 A call and a put option are at the money if the strike price of the option is the same price as the market for the underlying security or index.
- 2.30 A call option is in the money if the strike price of the option is lower than the market price for the underlying security or market.
- 2.31 A put option is in the money if the strike price of the option is higher than the market price for the underlying security or index.

#### ADJUSTMENTS

- 2.32 ASX may, in accordance with its rules, make an adjustment to any of the specifications of an Option to reflect corporate actions in respect of the underlying shares, for example if the issuer makes a bonus issue, rights issue, special dividend, capital reduction or other similar event.
- 2.33 If ASX does make an adjustment, it will endeavour to do so in a way which puts the Buyer (taker) and Seller (writer) in substantially the same economic position they would have been in had the adjustment event not occurred, so as to preserve the value of open positions of Buyers and Sellers at the time of the adjustment.
- 2.34 In some cases, ASX may decide not to make an adjustment for a corporate action and instead, direct that open positions be terminated or closed out.
- 2.35 When ASX makes an adjustment to the terms of an option series, ASX Clear will make a corresponding

adjustment to the terms of contracts that are already open.

- 2.36 For further details ASX has issued an Explanatory Note for Option Adjustments that can be viewed at [www.asx.com.au](http://www.asx.com.au).

#### NO ENTITLEMENTS

- 2.37 The parties to an equity option do not, under the terms of the option, have any entitlement to dividends, franking credits or other entitlements paid or made by the issuer of the underlying shares. The Seller (writer) of a call option or the Buyer (taker) of a put option will only have such entitlement should they directly hold the shares.
- 2.38 If the Buyer of a call option wants to participate in a prospective dividend or entitlement, the Buyer will need to first exercise the option, allowing sufficient time to become the registered holder prior to the ex-dividend or entitlement date. The resulting sale and purchase of underlying shares on the exercise of an equity option will settle on the third business day following the exercise of the option.
- 2.39 More information is provided on this subject under the heading "Settlement Processes" in this PDS.

#### EXPIRY

- 2.40 Options have a limited life span and typically have a monthly expiry within 12 months and a quarterly expiry for longer dated contracts.
- 2.41 Options expire on a specified day in the expiry month, as determined by ASX. For equity options, the option generally expires at 7pm Australian Eastern Standard Time (AEST) on the Thursday preceding the last Friday in the expiry month, as long as both the Thursday and Friday are full business days. Therefore, if the last day of the month is a Thursday, the option will expire at 7pm AEST on the Thursday prior.
- 2.42 For index options and index LEPOs, expiry is at 12pm AEST on the third Thursday of the contract month provided that day is a business day.
- 2.43 On each occasion exercise notices can be made to ASX Clear by the given time on the relevant expiry date. Expiry information is available at [www.asx.com.au](http://www.asx.com.au). You should follow the links to Trading information and then Expiry calendar. ASX Clear has the right to change these expiry dates should the need arise.

#### EXERCISE

- 2.44 The Buyer (taker) of an option has the right (but not the obligation) to exercise the option contract. This means that the Seller (writer) of an option may be exercised against at any time prior to expiry (American style only). When the Buyer exercises an option, ASX Clear will randomly assign that exercise to an open position held by a Seller in the relevant option series.

#### AUTOMATIC EXERCISE

- 2.45 ASX Clear introduced automatic exercise from February 2015 for all in-the-money cash settled and deliverable option contracts on expiry date. As OpenMarkets operates a pre trade cash vetted model, OpenMarkets will automatically exercise your option contract on the expiry date of the option only if there are sufficient funds in your linked CMA to meet the exercise obligation. If there are insufficient funds in the Linked CMA, OpenMarkets will close your open option position before expiry.
- 2.46 All unexercised option contracts will expire on the expiry date.
- 2.47 For call options, the option will be in the money where the exercise price is below the price of the underlying shares.
- 2.48 For put options, the option will be in the money where the exercise price is higher than the price of the

underlying shares.

#### DELIVERABLE OR CASH SETTLED

- 2.49 Options are either deliverable or cash settled.
- 2.50 Options are described as deliverable where the obligations of the Buyer (taker) and Seller (writer) are settled by the delivery of the underlying share.
- 2.51 Equity options are deliverable because upon exercise, one party is required to transfer the underlying shares to the other at the exercise price.
- 2.52 Options are described as cash settled where the obligations of the Buyer and Seller are settled by payment and receipt of a cash amount. Index options are cash settled.

#### SETTLEMENT PROCESS

- 2.53 When an equity option is exercised by a Buyer (taker) and the exercise is assigned by ASX Clear to an open position of a Seller (writer), a contract for the sale and purchase of the underlying shares at the exercise price will arise between the Seller and the Buyer. The parties to this transaction must then settle that transaction in the same way as any other ASX transaction for shares. Payment for and the delivery of underlying shares, occurs via ASX Clearing House Electronic Subregister System (CHESS) on T+3.
- 2.54 CHESS is operated by ASX Settlement Pty Limited, the settlement facility for ASX transactions and settlement will occur in accordance with the ASX Settlement Operating Rules.
- 2.55 Your obligations in relation to settlement are set out in your Client Agreement.
- 2.56 Index options are cash settled. When an index option is exercised by a Buyer and the exercise is assigned by ASX Clear to an open position of a Seller, the Seller of the option must pay the cash settlement amount to ASX Clear. That amount will be determined by the difference between the exercise level (set by ASX) and the OPIC, as calculated by ASX on the expiry date. Cash settlement occurs in accordance with the rules of ASX Clear. For more information on settlement of index options see the section entitled Trading Index Options in the ASX Booklet Understanding Options Trading.

#### SETTLEMENT

- 2.57 The terms of our Client Agreement with you require you to make all payments to us, whether they be payments of premiums, settlement amounts or margins, on the business day on which the relevant ETO transaction occurred.
- 2.58 Please also see the discussion on margins in section 3.
- 2.59 For cash settled ETOs the settlement amount is paid to exercising Buyers (takers) on the day following the expiry date.
- 2.60 The calculation used for settling ETOs over an index is determined by special formula. If you intend investing in ETOs over an index you should take the time to understand these arrangements. For more information please refer to the relevant section of the ASX Booklet Understanding Options Trading.
- 2.61 Payment for and the delivery of underlying shares upon exercise of an open ETO via CHESS is required on T+3 (i.e. the third business day after the transaction was undertaken).
- 2.62 OpenMarkets is obliged to make the above payments to ASX within this timeframe.

#### COOLING OFF PERIOD

- 2.62 There are no cooling-off arrangements for ETOs.

## OPENING AN ETO POSITION

- 2.63 Unlike shares, ETOs are not instruments that a person buys or sells in the ordinary sense.
- 2.64 ASX sets the terms of ETOs and, if we enter into a contract for you as Buyer (taker) or Seller (writer), we are regarded as having opened the contract for you.
- 2.65 If you have opened a position as the Buyer of an ETO, you have three alternatives:
- exercise the option
  - hold the option to expiry and allow it to expire worthless, or
  - close the position by selling an option in the same series and instructing us to close out the open position.
- 2.66 If you have opened a position as the Seller of an ETO, you have two alternatives:
- let the option run to expiry and risk being exercised (if not exercised, it will expire without any further obligation or liability to you), or
  - close out the option by buying an option in the same series (provided it has not been exercised).

## CLOSING AN ETO POSITION

- 2.67 An ETO may be closed out by entering into an option in the same series, but opposite position. In other words, if you have an open position in an option as a Buyer (taker), you can close out that position by entering into an option in the same series as a Seller (writer). This effectively cancels out the open position. For example, an investor might close out an open option contract in the following scenarios:
- The investor may want to avoid an unwanted early exercise. For example, the Seller of an option may want to close out the option (by taking an option in the same series) to avoid the risk of having a Buyer's exercise notice allocated to the Seller's option.
  - The investor may want to take a profit. For example, the Buyer of a call option may have paid a premium of \$1 per option and the same option series may now be sold for a premium of \$1.20, because the price of the underlying share has increased. The Buyer may therefore close out his or her position by selling an option in the same series, profiting from the difference of \$0.20 per underlying share.
  - The investor may want to limit a loss. For example, the Buyer of a call option may have paid a premium of \$1 per option and the same option series may now be sold for only \$0.80, because the price of the underlying share has decreased or because the time to expiry has reduced. The Buyer may therefore close out his or her position by selling an option in the same series, crystallising a loss of the difference of \$0.20 per contract.
- 2.68 It is important that you advise the DTR if you are seeking to close out an existing position when placing your order over the phone. Closing out can be achieved without reference to the original party to the trade because of the process of novation. ASX Clear is able to substitute a new Buyer as the contract party when an existing Buyer sells to close their position.
- 2.69 The process of novation is discussed in more detail below under the heading The Role of ASX Clear in section 3 of this PDS.

## LEPOs

- 2.70 LEPOs are essentially equity options with an exercise price of one cent per underlying share. LEPOs are European style options, in other words, they can only be exercised on the last trading day before they expire.

- 2.71 The Buyer (taker) of a LEPO has the right to buy an agreed number of shares (e.g. 100 shares per LEPO contract) at a specified future date in return for the payment of the exercise price (one cent per share).
- 2.72 The Seller (writer) of a LEPO undertakes to sell the underlying shares at expiry in return for the exercise price. As with other options, the Seller of a call option is only required to deliver the underlying shares if the Buyer exercises the option.
- 2.73 When you enter into a LEPO you do not pay (or receive) upfront the full amount of the premium. Instead, you pay or receive margins during the life of the LEPO (that is, the LEPO is marked to market daily) and pay or receive the balance of the premium if and when you exercise the LEPO.
- 2.74 LEPOs are different from standard ETOs in a number of respects, summarised below:
- LEPOs are only available as call options;
  - LEPOs are European style options, meaning they are exercisable on the last trading day before they expire, while standard equity options are generally American style options;
  - LEPOs have a very low exercise price and a much higher premium – close to the initial value of the underlying shares, the subject of the LEPO;
  - LEPOs have only one exercise price per expiry month, unlike other options, which offer a range of exercise prices;
  - LEPOs do not require an amount equal to the full premium to be paid on purchase. Instead the Buyer effectively pays a margin, which represents a percentage of the value of the underlying shares. In standard equity options, the Buyer pays the premium up front and the Seller receives the premium up front;
  - Both the Buyer and Seller of a LEPO are subject to ongoing margining.
- 2.75 In summary, the premium for a LEPO will generally track the price of the underlying shares, so an investor's profit or loss will generally track movements in the underlying share on a one-for-one basis.
- 2.76 Buying a LEPO is similar to a forward purchase of shares, while selling a LEPO is similar to a forward sale of shares.
- 2.77 Because of their low exercise price, LEPOs trade for large premiums. The high premium exposure carries a risk similar to that of owning the shares outright or, for Sellers, short selling shares.
- 2.78 Although the exposure with LEPOs is similar to owning the underlying shares, you are not entitled to dividends or other rights attached to the shares, such as voting rights.

### **3. CLEARING AND SETTLEMENT**

- 3.1 ETOs traded on ASX are cleared through ASX Clear, a licensed clearing and settlement facility under the Corporations Act.
- 3.2 OpenMarkets, as a participant of ASX Clear will clear and settle all ETOs traded with OpenMarkets. In doing so, OpenMarkets must comply with the ASIC Market Integrity Rules and ASX Clearing Operating Rules.

#### **THE ROLE OF ASX CLEAR**

- 3.3 When we enter into an ETO for you, the transaction is reported to ASX Clear for registration.
- 3.4 Upon registration of a contract by ASX Clear, the original traded contract is terminated and replaced

by two contracts, known as Derivatives CCP Contracts. One contract is between the Clearing Participant who clears the contract for the Buyer (taker) of the option and ASX Clear. The other contract is between the Clearing Participant who clears the contract for the Seller (writer) of the option and ASX Clear.

- 3.5 This process of registration and creation of two Derivatives CCP Contracts is known as novation and is described briefly in the ASX booklet Understanding Options Trading.
- 3.6 You, as the client, are not party to either of those contracts actually registered with ASX Clear.
- 3.7 Although OpenMarkets may act on your instructions or for your benefit, upon registration of the ETO with ASX Clear in our name, we incur obligations to ASX Clear as principal, even though the ETO was entered into on your instructions.
- 3.8 All ETOs traded for you by OpenMarkets will be cleared by OpenMarkets.

## MARGINS

- 3.9 ASX Clear contracts with Clearing Participants as principals.
- 3.10 Where a Clearing Participant has an exposure under an ETO contract to ASX Clear, ASX Clear will call amounts of money known as margin from the Clearing Participant as cover.
- 3.11 Margins are generally a feature of all Options and are designed to protect ASX Clear against default. A margin is the amount calculated by ASX Clear as being necessary to cover the risk of financial loss on an ETO contract due to an adverse market movement.
- 3.12 The Seller (writer) of an ETO will ordinarily be required to pay margin in respect of that contract or provide collateral acceptable to ASX Clear. This is because ASX Clear is exposed to the risk that the Seller will not perform their obligations if and when the option is exercised.
- 3.13 The Buyer (taker) of an ETO will not be required to pay margin in respect of that contract, because they are not at risk – they must pay the premium up front and that is the maximum amount the Buyer of the option can lose in respect of that contract (together with any transaction costs).
- 3.14 The total margin called by ASX Clear for ETOs is made up of two components, in each case, determined by ASX Clear:
  - a. premium margin – the market value of the particular position at the close of business each day, and
  - b. risk margin – the potential change in the price of the option contract assuming the assessed maximum probable intraday movement in the price of the underlying share or index.
- 3.15 Amounts of margin are determined daily by ASX Clear, following the close of trading each day. In times of extreme volatility ASX Clear may make an intraday margin call.
- 3.16 OpenMarkets will, under the terms of our Client Agreement, call from you all amounts of margin which ASX Clear requires in respect of positions which we have entered into for you.
- 3.17 OpenMarkets may also call for greater amounts of margin if we regard this as appropriate.

## ADDITIONAL MARGINS

- 3.18 At our discretion OpenMarkets can assign an additional margin buffer (margin multiplier) to each account to be paid to OpenMarkets above those set by ASX Clear. We may, at our discretion, assign a maximum margin limit to each account.
- 3.19 You will need to ensure your total trade risk does not exceed the account's cash or stock position.

- 3.20 In addition to the margins payable to ASX Clear, OpenMarkets might, for instance, apply a margin multiplier of:
- 20% to Australian resident retail clients accounts above the ASX Clear calculated margins;
  - 35% to foreign resident retail client accounts above the ASX Clear calculated margins.
- 3.21 By way of example if your margin requirement to ASX Clear is \$1000, you will be required to provide OpenMarkets with \$1,200 if you are an Australian resident retail client and \$1,350 if you are a foreign retail client.
- 3.22 OpenMarkets may, at its sole discretion, impose a higher margin should it form the view that it is warranted.
- 3.23 Any additional margin not called by ASX Clear will be deposited in OpenMarkets' trust account.

#### COLLATERAL

- 3.24 ASX Clear margin obligations may be met by paying cash or by providing certain types of eligible collateral (e.g. shares).
- 3.25 Shares (held by you), which are acceptable to ASX Clear may be lodged with ASX Clear as collateral for margin obligations relating to ETO positions.
- 3.26 Unlike cash, when shares are lodged with ASX Clear, the shares are held as third party security in the sense that they represent collateral provided by you to secure OpenMarkets' obligations to ASX Clear. The lodged shares cannot be used by OpenMarkets in relation to OpenMarkets' dealings, or for our other clients in relation to their dealings, unless authorised by you.
- 3.27 As a risk management tool, ASX Clear will likely apply a haircut in relation to the value of shares lodged. For example, if you lodge \$10,000 worth of shares and ASX Clear applies a 30% haircut, only \$7,000 will be considered as collateral cover for any margin obligations.
- 3.28 The margining process used by ASX Clear is explained in detail in the ASX booklet Margins which is available on the ASX website.
- 3.29 You must pay margin to OpenMarkets, or provide alternative collateral that is acceptable to us, within 24 hours of being advised of the call for it (or sooner as required by OpenMarkets).
- 3.30 Any interest levied on late settlement and margin payments is due and receivable at the time the amount is levied and within one business day of the demand being made by OpenMarkets.

#### CLIENT TRUST ACCOUNTS

- 3.31 The Corporations Act provides that your money held in OpenMarkets' trust account can be used for the purposes of meeting margin obligations, guaranteeing, securing, transferring, adjusting or settling your dealings in options. This money will not be used to meet the obligations of any other party.

#### NATIONAL GUARANTEE FUND

- 3.32 The National Guarantee Fund (NGF) provides investors with protection in the following circumstances:
- if an equity option is exercised, the NGF guarantees completion of the resulting trades in certain circumstances, and
  - if you have entrusted property to OpenMarkets in the course of dealing in ETOs, and either party becomes insolvent, you may claim on the NGF in accordance with the rules governing the operation of the NGF, for any property which has not been returned to you or has not otherwise been dealt with in accordance with our obligations to you.
- 3.33 There are limits on claims against the NGF for property entrusted. For more information on the

possible protections offered by the NGF see [www.segc.com.au](http://www.segc.com.au).

#### 4. BENEFITS

##### BENEFITS OF ETOs

###### 4.1 ETOs have a number of advantages including:

- a. Hedging - Investors can hedge (protect) their share portfolio against a drop in value by, for example, buying (taking) equity put options over particular shares;
- b. Income - Shareholders can earn income by selling (writing) call options over underlying shares they already hold. As a Seller (writer) of options, the investor will receive the premium amount upfront, when the option transaction is entered. However, the Seller will need to maintain margin obligations throughout the life of the option, and the position could be exercised. This exercise will result in the Seller being required to deliver the underlying shares to the Buyer (taker) at the exercise price;
- c. Time to decide - By buying a call option, the purchase price for the underlying shares is locked in. This gives the call option holder time to decide whether or not to exercise the option and buy the shares. The holder has until the expiry date to make the decision. Likewise the Buyer of a put option has time to decide whether or not to sell the shares;
- d. Reduce default risk - ETOs benefit from standardisation and registration with a clearing and settlement facility that reduces counterparty default risk. OpenMarkets' risk is to ASX Clear, not to a third party. This process also provides the benefit that an open position can be closed out without having to deal with the original counterparty;
- e. Speculation - ETOs can be used for speculation where the flexibility of entering and exiting the market prior to expiry (subject to liquidity) permits an investor to take a view on market movements and trade accordingly. In addition, the variety of option combinations allows investors to develop strategies regardless of the direction of the market;
- f. Profit in a rising or falling market - Investors can profit from both rising and falling markets depending on the strategy they have employed. Strategies may be complex and will have different levels of risk;
- g. Leverage - Trading in options can allow investors to benefit from a change in the price of the share without having to pay the full price of the share. An investor can purchase an option (representing a larger number of underlying shares) for less outlay and still benefit from a price move in the underlying shares. The ability to make a higher return for a smaller initial outlay is called leverage. Investors however, need to understand that leverage increases risk;
- h. Diversify portfolios - Given the lower initial outlay attached to options, investors can diversify their portfolios and gain broader market exposure over a range of shares or an index;
- i. Offsetting positions - Investors can reduce their initial outlay to the extent that they have offsetting positions. An ETO position may be closed out by placing an order equal and opposite in effect to the original order – this effectively cancels out the open position;

##### INFORMATION ON TRADING STRATEGIES

###### 4.2 For information and examples regarding trading strategies using ETOs, refer to the Pay-off section in the ASX booklet Understanding Options Trading available on the ASX website.

## BENEFITS OF LEPOS

- 4.3 LEPOs carry all the benefits detailed above for ETOs other than time to decide. LEPOs have additional advantages including:
- a. when opening a LEPO contract you gain exposure to the full value of the underlying shares but actually pay only a fraction of the full premium of the LEPO upfront. This potentially provides a greater return to the investor but also means LEPOs have a higher risk profile;
  - b. selling a LEPO gives you exposure to a decline in the value of the underlying asset, enabling you to profit if the price of the asset falls. The sale of a LEPO can be compared to a short position over shares. Using a LEPO can also be a cost effective alternative to borrowing to fund a purchase of shares;
  - c. credit margins from existing open positions may be used to reduce the initial margin payable. This can further reduce the cash outlay when opening a contract;
- 4.4 LEPOs are European style options, meaning they are only exercisable at expiry and you will not have to be concerned about the possibility of an early exercise.
- 4.5 For further information and detailed examples of LEPOs trading, refer to the LEPOs Low Exercise Price Options Explanatory Booklet on the ASX website.

## 5. RISK DISCLOSURE

- 5.1 Trading in ETOs can carry the risk of substantial loss. Accordingly ETOs are not suitable for some investors. It is essential you understand the nature and extent of your potential exposure to risk before opening a position. Carefully consider whether trading ETOs is appropriate in light of your investment objectives and financial circumstances. The risks attached to investing in ETOs will vary in degree depending on the position taken.
- 5.2 The Buyer (taker) of an ETO, whether it is a call option or a put option, has a known and limited potential loss. If an ETO expires with no value, the Buyer will lose the total value paid for the option (the premium), plus any transaction costs incurred.
- 5.3 The Seller (writer) of an ETO may entail considerably greater risk. The premium received by the Seller of an ETO is both limited and fixed, however the Seller may incur substantially greater loss than that sum and indeed be exposed to unlimited losses in certain circumstances (e.g. sold naked call).
- 5.4 This PDS does not cover every aspect of risk associated with ETOs. For further information concerning risks associated with ETO trading please refer to the ASX booklet Understanding Options Trading and in particular the section entitled Risks of options trading.

## RISKS OF ETOs

- 5.5 In deciding whether or not you should trade ETO contracts, you should be aware of the following matters relating to risk:
- a. Market risks - As a general rule, movements in the value of the underlying share or index will significantly affect the value of ETOs (although the change may be at a different rate or in a different direction). Such movements may cause the value of the option to fall in price or become worthless at or before expiry. The value of the underlying share or index is affected by information that is announced to ASX. Accordingly, it is advisable that an investor in ETOs regularly reviews this information (which can be viewed on ASX's website).
  - b. Corporate activity - Where corporate activity (e.g. takeover, bonus issue, rights issue) occurs in an

underlying share, this will have an effect on the corresponding open ETO positions. OpenMarkets has no control over the effect of the corporate activity on open ETO positions and cannot foresee the specific risk or outcome (including as to the manner of any adjustments made by ASX to the ETO at the time of the corporate activity in question).

- c. Effect of leverage - The high level of leverage that can be obtained by trading ETOs (due to the low level of initial capital outlay) can work against, as well as for, the investor. Depending on market movements, the use of leverage will magnify the level of losses, for instance, when compared with the same sized investment in the underlying share.
- d. Limited life span - ETOs have a limited life span. The value of the ETO erodes over its life and this accelerates as expiry approaches. You should consider the life span of the ETO to ensure it meets your investment needs. For instance, if your intent in purchasing an ETO is to hedge an existing position, you should ensure it has sufficient life span to achieve this objective.
- e. Loss of premium for Buyers (takers) - The maximum loss in buying (taking) an ETO is the amount of premium paid plus transaction costs. If the option expires worthless, the Buyer will lose the total value paid for the option (the premium) plus transaction costs.
- f. Unlimited loss for Sellers (writers) - While Sellers of ETOs earn premium income, they may also incur unlimited losses if the market moves against the option position. The premium received by the Seller is a fixed amount; however the Seller may incur losses greater than that amount. For example, the Seller of a call option has increased risk where the market rises and the Seller does not own the underlying shares. If the option is exercised, the Seller of the option is forced to buy the underlying shares at the current (higher) market price in order to deliver them to the Buyer at the exercise price. Similarly, where the market falls, the Seller of a put option that is exercised is forced to buy the underlying shares from the Buyer at a price above the current market price.
- g. Loss of shares on exercise - Sellers of call options where the Seller owns the corresponding amount of underlying shares will be required to deliver those shares at the exercise price should the option be exercised.
- h. Loss of margin - Sellers of options could sustain a total loss of the amount of the margin deposited with their broker or ASX clear if they close out their position or cannot maintain the position should the market adversely moves against the position.
- i. Margin Calls - Your liability in relation to a written option contract is not limited to the amount of the margin paid. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional margin on short notice to maintain your position, or upon settlement of contracts. If you fail to comply with a request for additional margin within the time prescribed, OpenMarkets may close out your position and you will be liable for any loss that might result.
- j. Changes made by ASX Clear or OpenMarkets which may impact on margins - There may be certain changes which OpenMarkets or ASX are required or authorised to make which have an impact on the margins required of you. These may include changes by ASX Clear as to whether it accepts certain collateral and how it is valued. Further, ASX Clear may change their method of calculating margins or OpenMarkets may insist on you paying additional margins, including by way of a margin multiplier.
- k. Close-out difficulties - Under certain conditions, it may become difficult or impossible to close out a position. The relationship between the price of an ETO contract and the underlying share may become distorted. Examples of when this may happen include when there is a significant change in the price of

the underlying share over a short period of time or if there is an absence or reduction in the number of willing Buyers and Sellers in either the ETO market or the underlying market. Additionally if the market is suspended or disrupted for any reason, this may also impair the ability to close-out the position. Similarly, events such as these in relation to the underlying market for the share may make it difficult for you to hedge or maintain your exposure under an open ETO contract.

- I. ASIC and ASX powers - ASIC, ASX and ASX Clear have discretionary powers in relation to the market and the operation of the clearing facility. They have power to suspend the market operation, or lift market suspension in options while the underlying shares are in trading halt if the circumstances are appropriate, restrict exercise, terminate an option position or substitute another underlying share, impose position limits or exercise limits or terminate contracts - all to ensure fair and orderly markets are maintained as far as practicable. These actions can affect your option positions.
- m. Trading disputes - Trades undertaken on the ASX may be subject to dispute. When a trade is subject to a dispute ASIC and ASX have powers, in accordance with their rules, to request that a broker amend or cancel a trade, which will in turn result in the ETO contract with the client being amended or cancelled. In some situations, ASIC and ASX may also exercise powers to cancel or vary, or direct the cancellation or variation, of transactions.
- n. Trade amendments and cancellations - Under OpenMarkets' Client Agreement, we have the ability to amend or cancel trades. This could cause you to suffer loss or increase your loss. A trade executed on your behalf can also be amended or cancelled even where the trade has been confirmed to you.
- o. System outages - Trades undertaken on the ASX are traded on an electronic trading platform and cleared through ASX Clear, which relies on electronic systems. As with all such electronic platforms and systems, they may be subject to failure or temporary disruption. If the system fails or is interrupted OpenMarkets will have difficulties in executing all or part of your order according to your instructions. Your ability to recover certain losses in these circumstances will be limited given the limits on liability imposed by the ASX, ASX Clear and OpenMarkets. Any market disruption may mean you are unable to deal in ETOs when desired and as a result you may suffer a loss. Common examples of disruption include a fire or other exchange emergency. The exchange could, for example, declare that an undesirable situation has developed in a particular ETO contract and suspend trading. Exchanges or Participants may also be able to cancel transactions under their rules.
- p. Capital loss - By trading in ETOs, you are exposed to the risk of losing capital. Investors should not risk more capital than they can afford to lose. While the level of risk exposure you wish to endure is ultimately a question for you, a good general rule is never speculate with money which, if lost, would alter your standard of living.
- q. Default - OpenMarkets' Client Agreement sets out various events of default. These include a failure by you to perform any obligation arising out of the opening, closing exercise or expiry of an Option including any call for margin. If you commit an event of default, OpenMarkets has extensive rights, including the right to enter into one or more transactions to effect the close out of one or more of your open contracts, and the right to sell any financial products or other property of yours held by OpenMarkets and offset the proceeds of sale against any amounts you owe to OpenMarkets. These transactions are taken at your risk and you would be liable for any deficiency that may result.

## RISKS OF LEPOS

- 5.6 LEPOs are subject to all of the risk factors that affect standard ETOs as outlined above. However, the Buyer (taker) of a LEPO has a significantly higher risk profile than they would with a standard ETO because the premium is larger and will be closer to the full value of the underlying share than a standard ETO. The risk is however still limited to the full amount of the LEPO premium.
- 5.7 Although the Buyer of a LEPO may only be required to outlay a relatively small amount of money when the LEPO is entered into, at expiry, if the Buyer of a LEPO does not exercise the LEPO, they will lose an amount approximately equal to the then current premium of the LEPO.
- 5.8 Both Sellers (writers) and Buyers of LEPOs are required to pay margins to ASX Clear and positions are marked to market daily.

## PROTECTION

- 5.9 When selling (writing) an ETO or LEPO, the initial income or premium may seem attractive but the downside may be unlimited. Risk minimisation strategies (protection) should be employed to mitigate losses that may arise from an adverse margin movement or adverse market condition.
- 5.10 Whilst this PDS provides information about the risks, characteristics and benefits of ETOs and LEPOs generally, investors should inform themselves and if necessary obtain advice about the specific risks, characteristics and benefits of the ETO or LEPO they intend to trade.

## 6. COSTS

- 6.1 The costs include:
  - a. Brokerage and exchange fees as relates to ETOs. Set out in Part 2 of this PDS;
  - b. Premium - If you are the Buyer (taker) of an ETO, you will be required to pay a premium in connection with the purchase of the ETO contract. If you are the Seller (writer) of an ETO, you will be entitled to receive a premium in connection with the sale of the ETO contract. For further detailed information on the premium in respect of an ETO contract, refer to the section Option Pricing Fundamentals of the ASX booklet Understanding Options Trading and also the ASX's options calculator available at ;
  - c. Margin and collateral - If you are the Seller of an ETO contract, you will be required to provide margin, and in certain circumstances collateral, to ASX Clear in accordance with the terms of your Agreement with us. ASX Clear calculates margin amounts using a margin methodology system, currently ADMS (ADMS). For further detailed information on margin and collateral requirements, refer to the ASX Margins booklet available at ;
  - d. Additional margin - Details of any additional margin requirements OpenMarkets may call over that required by ASX Clear are as discussed under the headings Margins and Additional Margins in sections 3.2 and 3.3 of this PDS.

## LIABILITY

- 6.2 For Buyers (takers), trading options may result in a loss situation if the options are trading out of the money (for call options where the exercise price is higher or lower for put options, than the current market price), however the amount of the loss for a taker is limited to the premium paid. The liability of a Seller (writer) is potentially unlimited (naked position).

## 7. TAX IMPLICATIONS

## Warning

- 7.1 The information below is based on existing Australian tax law and established interpretations as at the date of this PDS.
- 7.2 It is intended as a brief guide only and does not cover every aspect of taxation related with the use of ETOs.
- 7.3 The information applies to Australian resident investors only.
- 7.4 It is important to note that your tax position when trading ETOs will depend on your individual circumstances, in particular whether you are trading on a revenue or capital account or whether you are subject to the Taxation of Financial Arrangements (TOFA) rules, contained in Division 230 of the Income Tax Assessment Act 1997.
- 7.5 The taxation of Options can be complex and may change over time. Accordingly, we recommend you seek professional tax advice before entering into or disposing of an ETO.
- 7.6 OpenMarkets and its employees are not able to give tax or legal advice. You should not rely solely on the information in this PDS when making decisions about your investments.
- 7.7 In order to determine the taxation consequences of any transactions, you must first determine whether the TOFA rules apply.

## TOFA

- 7.8 Depending on the relevant circumstances a taxpayer may be subject to the TOFA rules.
- 7.9 ETOs covered by this PDS are expected to qualify as financial arrangements and therefore the TOFA rules are likely to have a significant impact on the taxation of ETOs. Briefly, the rules:
  - a. generally deem gains and losses from financial arrangements to be on revenue account
  - b. impact on the timing of the recognition of the gains and losses, and
  - c. may cause unrealised gains and losses to become subject to tax.
- 7.10 Below is a brief summary of the rules. The TOFA rules are complex and it is strongly recommended that taxpayers seek specific tax advice on the application of the rules to their dealings.

## APPLICATION

- 7.11 Generally, the TOFA rules will not apply to individuals, small superannuation funds and small securitisation vehicles. However, the rules will apply to these taxpayers if the financial arrangement involves substantial tax deferral.
- 7.12 The TOFA rules do apply to most corporate taxpayers provided certain turnover and other tests are met.

## IMPACT

- 7.13 The TOFA rules allow taxpayers to make a number of elections that determine how gains and losses from financial arrangements will be taxed.
- 7.14 The elections are generally irrevocable.
- 7.15 If taxpayers do not make any elections other than to enter into the TOFA regime early, the rules should treat most gains and losses from ETOs on a realisation basis.
- 7.16 Gains from exercising ETOs will not contribute to the cost base of the asset received upon the exercise. However, the accruals method may apply in some cases to spread the recognition of some gains and losses over the life of the ETO.

7.17 The fair value and financial report elections include in the tax calculation, gains and losses from financial arrangements that are reflected in the profit and loss statement (e.g. financial arrangements that for accounting purposes are classified as held for trading or designated as valued at fair value through profit and loss). This means that unrealised gains and losses may be subject to tax. If you made a valid fair value or financial reports election and it did not cease to apply to you, the gains and losses from ETOs for tax will be aligned to the gains and losses recognised in the profit and loss for accounts. The hedging election allows tax matching of the gains and losses from the underlying hedged item. The matching is both timing (i.e. over the time the underlying item is held) and character (i.e. will take on tax character, revenue or capital, of the underlying item). The arrangements subject to the hedging election will not be subject to the fair value or financial reports elections, even if those are made. If you made a valid hedging election and an ETO qualifies for the hedging election treatment, the gains and losses from the ETO will be matched to the gains and losses from the underlying hedged item. The conditions for the hedging election are complex and include documentation and hedge effectiveness requirements.

#### REVENUE ACCOUNT

- 7.18 For Australian resident investors that are a Seller (writer) of an option in the ordinary course of business or the option has been sold over an underlying revenue asset, the option will be treated as being on revenue account.
- 7.19 The premium received by the Seller of the option will be assessable on a due and receivable basis. Where any premium is credited to the Seller's Client account the amount will still be assessable on this basis. Any subsequent margin calls are not deductible when they are deposited by the Seller into their Client account. These margins will merely reduce any net position of the Seller upon the closeout, settlement or exercise of the option by the Buyer (taker). Where interest is received by the Seller on the margins held in their Client account, this is required to be included in the Seller's assessable income.
- 7.20 A Buyer 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 Buyer is generally regarded as being deductible on a due and payable basis. This will generally be at the time the option is entered into.
- 7.21 There are no further tax implications where an option on revenue account lapses. 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

- 7.22 Where a Seller (writer) sells (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 Seller 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 Seller'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 Seller upon the close-out, settlement or exercise of the option by the Buyer (taker). Where interest is received by the Seller on the margins held in their ASX Clear account, this is required to be included in the Seller's assessable income.
- 7.23 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 Seller's capital proceeds for CGT purposes. This may have practical implications for the Seller of options where the premium and sale proceeds are received in different financial years.

- 7.24 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 Seller's cost base of the underlying asset for CGT purposes. This may have practical implications for the Seller 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.
- 7.25 A Buyer 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 will be no taxation consequences for the Buyer in respect of any premium paid for options that are held on capital account.
- 7.26 When an option on capital account lapses the Buyer will realise a capital loss equal to the amount of the premium paid. When an option is settled or closed out, the Buyer 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.
- 7.27 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 Buyer.
- 7.28 Where a put option is exercised, the Buyer will generally deduct the option price from the proceeds received on the disposal of the underlying asset.

#### LEPOS

- 7.29 From an income tax perspective there are no specific legislative rules dealing with LEPOs. The taxation consequences of investing in LEPOs will be determined by having regard to the respective circumstances of the investor according to general tax principles.
- 7.30 Generally, the taxation consequences of investing in LEPOs will be the same as those outlined above. However, an alternate view exists that is again essentially the same as that outlined above, except that the relevant point for determining any taxation consequences does not occur until the LEPOs are closed out, exercised or expire.

#### GOOD AND SERVICES TAX

- 7.31 The purchase and disposal of ETOs over shares and any index by investors is not subject to goods and services tax (GST) other than in respect of any brokerage or other transactional costs.

### 8. DISPUTE RESOLUTION SYSTEM

- 8.1 OpenMarkets is committed to a high level of client service and responding to any concerns or complaint promptly, fairly, consistently and in a professional manner. If you have any concerns about the services we provide to you please take the following steps:

Contact our Client Service Team and discuss the complaint directly.

If you do not feel comfortable discussing the complaint with Client Services or your complaint is not satisfactorily resolved, please telephone OpenMarkets and ask to speak with our Compliance Officer. We suggest you put your complaint in writing at this time so that the issues are fully documented and understood by the parties. Your complaint should be addressed to:

OpenMarkets Australia Limited

Attn: Compliance Officer

Suite 300, 189 Queen Street

Melbourne VIC 3000

Fax: +61 3 8199 7709

- 8.2** Every effort will be made to resolve your complaint within 45 days. If you are still not satisfied with the outcome, you may take your complaint to an external dispute resolution scheme. OpenMarkets is a member of the scheme operated by the Financial Ombudsman Service (FOS). You should write to:

Financial Ombudsman Service

GPO Box 3 Melbourne VIC 3001

Tel: 1300 780 808

Fax: +61 3 9613 6399

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

Web: [www.fos.org.au](http://www.fos.org.au)

- 8.3** You may wish to consult ASIC in relation to your complaint. ASIC's website contains information on complaining about companies and people and describes the types of complaints handled by ASIC. ASIC's details are as follows:

Tel: 1300 300 630

Email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au) Web: [www.asic.gov.au](http://www.asic.gov.au)

You may wish to consult ASX. You can write to:

Compliance ASX Limited

20 Bridge Street

Sydney NSW 2000

# PART 2: SCHEDULE OF FEES

This document forms part of the PDS. This document should be read in conjunction with Part 1 of the PDS. The following information relates to the way we charge for transacting in ETOs for you.

## 1. BROKERAGE (EXCLUDING ASX CLEAR FEES)

Service	Fee (including GST)	Minimum	Above Minimum
Online Trading via OpenMarkets	Min. \$28.00 or 0.28%	\$28.00 up to \$10,000	0.28% above \$10,000

## 2. GST

- 2.1 An amount equal to the amount of GST will be charged to you on all brokerage and fees, currently at the rate of 10%.

## 3. INTEREST

- 3.1 ASX Clear will pay interest to OpenMarkets on cash lodged as collateral to cover ASX Clear margins.
- 3.2 Any interest paid by ASX Clear to OpenMarkets will be at the Reserve Bank cash rate less 65 basis points (0.65%).

## 4. ASX CLEAR FEES

- 4.1 ASX Clear charges a registration fee of \$0.143 per equity option contract, including GST. If you exercise or are assigned on an equity option position, ASX Clear charges an exercise fee of \$0.055 per contract, including GST.
- 4.2 In the case of index options, ASX Clear charges a registration fee of \$0.495 per contract and an exercise fee of \$0.385 per contract (both inclusive of GST).
- 4.3 The exact cost of your transaction will be disclosed on your confirmation.

## 5. TAX DEDUCTIBILITY

- 5.1 Some fees that we charge may be tax deductible. You must confirm this with your tax adviser or accountant in relation to your specific situation.

## 6. ADDITIONAL FEES

- 6.1 For any trade value or margin call outstanding, OpenMarkets will charge a late settlement fee of 0.04% of the total outstanding per day (due to provision of funding by OpenMarkets).