

# Exchange Traded Options Information Memorandum

**Macquarie Equities Limited**

November 2023

Macquarie Equities Limited (ABN 41 002 574 923) (**MEL**), Australian Financial Services Licence No. 237504, 1 Shelley Street, Sydney NSW 2000, is the issuer of the Exchange Traded Options (**ETOs**) referred to in this Information Memorandum (**IM**). MEL is a participant of Australian Securities Exchange Limited (**ASX**). This IM is issued by MEL and no person, other than MEL, makes any statement or representation in this IM. The offer made in this IM is available only to wholesale clients under section 761G of the Corporations Act.

The information contained within this IM is general information only and does not take into account your individual objectives, financial situation or needs. Before trading in the products referred to in this IM you should read this IM and be satisfied that any decision you make in relation to those products is appropriate in view of your objectives, financial situation and needs. We recommend that you consult your financial adviser and seek any other expert advice before trading in ETOs.

The Macquarie Cash Management Account (**Macquarie CMA**) and Macquarie Vision Cash account (**Vision Cash**) are deposit accounts provided by Macquarie Bank Limited (ABN 46 008 583 542) AFSL and Australian Credit Licence 237502 (**MBL**). The Product Information Statement (**PIS**) for the accounts describe the features of the account and contains the terms and conditions which apply to its operation. You can find updated information on our website for Vision Cash at [macquarie.com.au/visioncash](https://macquarie.com.au/visioncash) and for Macquarie CMA at [macquarie.com.au/cma](https://macquarie.com.au/cma)

**MEL does not guarantee the performance or return on any options, warrants or any other investments. MEL is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth), and its obligations do not represent deposits or other liabilities of MBL. Any investments are subject to investment risk including possible delays in repayment and loss of income and principal invested. MBL does not guarantee or otherwise provide assurance in respect of the obligations of MEL.**

Throughout this IM, unless otherwise stated, "Macquarie", "us", "our" and "we" refer to MEL.

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# Part 1: Information on Exchange Traded Options traded by Macquarie Equities Limited

## 1. Information Memorandum

### 1.1 Purpose of this Information Memorandum

This Information Memorandum (**IM**) has been prepared by Macquarie Equities Limited (**MEL**) as the issuer of Exchange Traded Options (**ETOs or Options**). This IM is designed to assist you in deciding whether ETOs are appropriate for your needs and to assist you in comparing them with other financial products you may be considering. This IM is an important document, please read it carefully and make sure you understand it before making a decision to trade in ETOs. Please contact us should you have any questions.

Although the information in this IM is up to date as at the date of publication, it is subject to change from time to time in accordance with the variations terms of the Agreement.

If you received this IM electronically or if you received any updated IMs or new information other than in writing, we will provide a paper copy to you for free on request.

Throughout this IM, unless otherwise stated, “Macquarie”, “us”, “our” and “we” refer to MEL.

### 1.2 IM in three parts

This IM has three parts. The first part contains information, the second part contains the schedule of fees, and the third part contains the Application Booklet.

You should read all parts of the IM before making a decision to trade in ETOs and you should retain a copy for future reference.

### 1.3 What products does this IM cover?

This IM relates to:

- (a) ETOs traded on the market operated by the Australian Securities Exchange Limited (**ASX**) and settled and cleared by ASX Clear Pty Limited (**ASX Clear**) (**Domestic ETOs**); and
- (b) United States listed equity and index ETOs cleared by the Options Clearing Corporation (**OCC**) (**US ETOs**).

In this IM, equity options, index options and Low Exercise Price Options (**LEPOs**) are collectively referred to as ETOs or Options, and include both Domestic ETOs and US ETOs unless stated otherwise.

A list of companies, managed investment schemes and indices over which ETOs are traded can be found:

- for Domestic ETOs, on the ASX website **asx.com.au**
- for US ETOs, on the websites for the exchanges referred to in section 5.2.5.

MEL uses a third party clearing firm to provide execution, clearing, settlement and custody services for clients trading US ETOs.

## 1.4 Key terms used in this IM

- **Clearing Firm:** the entity that is authorised to clear trades through the Clearing House. For Domestic ETOs, this is MEL. For US ETOs, this is a third party appointed by MEL.
- **Clearing House:** the organisation licensed and/or registered to provide clearing and other services in relation to listed market transactions conducted on a particular exchange. For Domestic ETOs, this is ASX Clear. For US ETOs, this is the OCC.
- **Market Operator:** the operator of the exchange on which ETOs are traded. For Domestic ETOs, this is the ASX. For US ETOs, this will depend on which United States (**US**) exchange you trade ETOs on. Refer to section 5.2.5 for a list of US exchanges and their Market Operators.

## 1.5 How to contact us

If you have any questions, you can:

- speak to your adviser
- email us at [macquariewealth@macquarie.com](mailto:macquariewealth@macquarie.com)

The services offered under this IM are dealing services only. If you are seeking financial product advice, such advice will be provided to you under an arrangement that is separate to this agreement.

## 2. ETOs at Macquarie

If you decide to open a Domestic ETO trading account or to trade US ETOs via our International Securities Trading offer, the application process requires an applicant(s), with the exception of professional investors<sup>1</sup>, to complete a knowledge questionnaire. ETOs can be highly leveraged and complex products, and the risk of loss can be substantial, so it is important that you can demonstrate the requisite knowledge and understanding of the mechanics and risks involved in trading ETOs.

ETOs may be suitable for some investors, depending upon the types of strategies employed, and can be used for risk management, speculation, income generation and gearing. Different strategies have different levels of risk and hence different pay off profiles. It is important that you and Macquarie are comfortable with the exposures that your positions may create.

Macquarie has appointed Third Party Platform Pty Ltd (TPP) as its third party clearing and settlement participant for all equity transactions. Therefore, any equities transactions that result from the exercise or assignment of an ETO position, along with any instruction you provide Macquarie to lodge or withdraw equities collateral, will be handled by TPP. ASX has placed conditions on Macquarie that will apply if TPP is suspended as a clearing participant and Macquarie does not have other arrangements in place to clear equities transactions (Trigger Event). If a Trigger Event occurs, Macquarie will be required to close out your ETO positions. This is the case even where the ETO position is wholly cash settled or where you have provided adequate collateral to support the position, (see section 7(a) in Part 1).

The information in this IM and the ASX material available at [asx.com.au](http://asx.com.au) provide an explanation of ETO trading and will help you complete the required questionnaire.

The questionnaire is included in the Application Form for Domestic ETOs, which is included in Part 3 of this IM. To trade US ETOs, you need to complete an international securities trading account application (**International Application**) which is contained in the International Securities Trading account application booklet, (**International Application Booklet**). To obtain a copy of the International Application Booklet please speak to your adviser.

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1. Professional investor as defined by the Corporations Act.

## Key benefits and significant risks of ETO trading

The following table summarises some of the key benefits and significant risks of trading ETOs. This is only a summary of some of the benefits and significant risks; more detail about these benefits and risks, are covered in sections 6 and 7.

Benefits	Risks
<p><b>Hedging</b></p> <p>Investors can hedge (protect) their share portfolio against a drop in value by buying (taking) put options over particular shares.</p>	<p><b>Unlimited loss for sellers (writers)</b></p> <p>Whilst sellers (writers) of ETOs earn premiums, they may also incur unlimited losses if the market moves against their option position. The premium received by the seller (writer) is a fixed amount; however, they may incur losses greater than that amount.</p>
<p><b>Income</b></p> <p>Shareholders can earn income by selling (writing) call options over underlying shares they already hold. Sellers (writers) of options will receive the premium upfront, when the option is entered into. The risk is that the seller (writer) will need to maintain margin obligations throughout the life of the position and may be exercised against.</p>	<p><b>Loss of margin for sellers (writers)</b></p> <p>Sellers (writers) of ETOs could sustain a total loss of margin funds deposited with their broker if the market moves against their option position.</p>
<p><b>Time to decide</b></p> <p>By buying (taking) a call option, the purchase price for the underlying shares is locked in. This gives the call option holder time to decide whether or not to exercise the option.</p>	<p><b>High leverage</b></p> <p>The high level of leverage that is obtainable in trading ETOs (due to the low level of initial capital outlay) can lead to losses as well as large gains.</p>
<p><b>Profit in rising or falling markets</b></p> <p>Investors can profit from both rising and falling markets depending on the strategy they have employed.</p>	<p><b>Capital loss</b></p> <p>By trading in ETOs, you are exposed to the risk of losing capital. Speculators should not risk more capital than they can afford to lose.</p>
<p><b>Leverage</b></p> <p>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. The ability to make a higher return for a smaller initial outlay is called leverage. However, you also need to understand that leverage can produce increased risks.</p>	<p><b>Price sensitive announcements</b></p> <p>As a general rule, price movements in the underlying share can significantly affect the value of ETOs. The value of the underlying share is affected by information that is announced to the Market Operator in relation to the share. Accordingly, it is advisable that you regularly review information announced to the exchange in relation to relevant underlying shares.</p>

## 3. What are ETOs?

### 3.1 What is an ETO?

An ETO is a contract between two parties giving the taker (buyer) the right, but not the obligation, to buy or sell a security at a predetermined price on or before a predetermined date. To acquire this right the taker pays a premium to the writer (seller) of the contract.

### 3.2 Types of ETOs

The three types of ETOs that this IM covers are equity options, index options and LEPOs. These are each discussed briefly below:

#### (a) Equity options

Equity options are options over financial products quoted on the ASX (for Domestic ETOs) and on the exchanges referred to in section 5.2.5 for US ETOs. These options are known as 'deliverable' options in the sense that, on exercise, one party must take 'delivery' of the underlying financial product<sup>1</sup>.

<sup>1</sup> Note that the ASX and US exchanges make trading equity options available over various financial products, including shares in companies and interests in managed investment schemes. For ease of reference, we will refer in this IM to underlying shares, but investors should be aware that the underlying financial product may be another financial product in some cases.

### (b) Index options

Index options are options over an Index such as the S&P/ASX 200 Index (for Domestic ETOs) and the S&P 500/S&P 100 Index (for US ETOs)<sup>2</sup>. These options are known as 'cash settled' options in the sense that, on 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', as defined in section 4.4).

For Domestic ETOs, the amount of money will be determined by the difference between the exercise price (set by the ASX) and the Opening Price Index Calculation (**OPIC**) as notified by the 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 may be used). Cash settlement occurs in accordance with the rules of ASX Clear.

For US ETOs, the amount of money is the 'exercise settlement amount'. The exercise settlement amount is the difference between the exercise price of the option being exercised and the exercise settlement value of the index on the day the index option is exercised. The reporting authority designated by the relevant Market Operator determines the value of every index underlying an option, including the exercise settlement value. Unless OCC directs otherwise, this value is presumed accurate and deemed final for calculating the exercise settlement amount.

### (c) LEPOs

LEPOs are call options with an exercise price of one cent (\$0.01) per underlying share or in respect of index LEPOs, an exercise price of one point of the underlying index.

## 3.3 Use of ETOs

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

- hedge against fluctuations in their underlying share portfolio
- increase the income earned from their portfolio (through the earning of premium income) speculate on market movements.

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 the sector of the market that is covered by the particular index.

The use of ETOs within an investor's overall investment strategy can provide flexibility in taking advantage of rising, falling and neutral markets. However, both the purchase and sale of ETOs involve risks which are discussed in more detail in section 7.

## 3.4 Understanding some concepts

Concepts which should be understood before trading in ETOs include:

- the effect that time has on a position or strategy
- how volatility changes, both up and down, may affect the price or value of an option and the potential outcome how to calculate margins and worst-case scenarios for any position
- the likelihood of early exercise and the most probable timing of such an 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.

When buying an ETO the initial outlay of capital may be small relative to the total contract value so that transactions are 'leveraged' or 'geared'. Transactions should only be entered into by investors who understand the nature and extent of their rights, obligations and risks associated with trading ETOs.

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

Whilst this IM provides product information including information about the risks, characteristics and benefits

of ETOs, investors should inform themselves and if necessary obtain advice about the specific risks, characteristics and benefits of the ETO they intend to trade and the relevant exchange rules.

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<sup>2</sup> 'S&P' (as used in S&P/ASX 200 and S&P 100) and 'S&P 500' are registered trademarks of S&P Dow Jones Indices, a division of S&P Global. 'ASX' is a registered trademark of the Australian Securities Exchange.

### 3.5 Online courses and brochures

The ASX has prepared several useful resources about Options and Warrants, which are available to you free of charge from their website [asx.com.au](http://asx.com.au)

We recommend that you visit the ASX website and access their resources to ensure that you have a sufficient understanding of the product(s) you are investing in, including the ASX brochures about:

- Index Options
- Options Strategies
- Margins

For US ETOs, the Options Industry Council offers useful educational information and tools on its website [optionseducation.org](http://optionseducation.org)

In addition, you should refer to the booklet (including any supplements) titled **Characteristics and Risks of Standardized Options** available on the OCC website at [theocc.com](http://theocc.com)

If you have any questions on any aspect of the material or information you should consult us and your adviser before making any investment decisions.

### 3.6 Trading ETOs and Warrants

Before trading ETOs and Warrants, you must:

- A) (i) ensure that you have read this IM, including the Domestic ETOs and Warrants Trading Agreement in Part 3 (Domestic ETO Terms) carefully, and acknowledge that you have read and understood them by completing and submitting the Application Form;
- (ii) establish a domestic MEL share trading account (**Share Trading Account**). Please speak to your adviser to open a Share Trading Account if you do not already have one; and

if you are also considering trading US ETOs, you must also:

- B) (i) ensure that you have read the Macquarie International Application Booklet, including the terms and conditions (**International ETO Terms**) carefully, and acknowledge that you have read and understood them by completing and submitting an International Application. The International ETO Terms will apply to your US ETO trading. Please speak to your adviser to obtain a copy of International Application Booklet; and
- (ii) read any other documents and complete and submit any other forms that we or the Clearing Firm will require you to complete from time to time. MEL uses a third party Clearing Firm to provide execution, clearing, settlement and custody services for US ETO trading.

### Summary of terms and conditions

#### Domestic ETO Terms

The Domestic ETO Terms cover the following matters:

- the terms and conditions that MEL is required to address under the ASX and ASX Clear rules as well as terms that are specific to Options or Warrants trading and contract registration with ASX Clear
- discretions that MEL may exercise acting reasonably including the ability to decline to act on your instructions or to cancel any order
- your commitments to MEL including a representation at the time of submitting an Application Form and at the time of each instruction by you to enter a transaction, that you will be able to meet your financial commitments, that you appoint ASX Clear to act as agent and that you will pay all fees and charges to MEL
- client funds and property, including deposits that may be paid into a trust account and may be combined with deposits of other clients
- your requirement to acknowledge that the risk of loss in trading ETOs can be substantial. You will formally acknowledge this risk when you read and sign the Declaration section in the Application Form
- MEL's non-discretionary account policy and your acknowledgement that MEL will not act on a discretionary basis on your behalf or for your benefit under any circumstances
- margin requirements and settlement obligations
- the implications of a failure by you to settle by the due settlement date and the events of default that will entitle MEL to close out your Contracts and take other forms of action against you

- the fact that MEL, although acting on your instructions, will be trading as principal
- that MEL (and its related corporate entities) may trade for itself as principal on its own account and this may include taking an opposite position to your trades
- security measures, including the procedures to prevent unauthorised instructions on your account
- trading procedures, including electronic recording of telephone calls
- trading limits and your agreement not to violate these limits
- privacy implications including the use and disclosure by MEL of your personal information
- Anti-Money Laundering and Counter-Terrorism Financing implications

### Summary of International ETO Terms

The International ETO Terms cover the following matters:

- discretions that MEL may exercise acting reasonably including the ability to decline to act on your instructions or to cancel any order
- your commitments to both MEL and its Clearing Firm, including a representation at the time of submitting an application and at the time of each instruction by you to enter a transaction, that you will be able to meet your financial commitments, and that you will pay all fees and charges to MEL
- MEL's provision, access to, and use of electronic trading systems, and the responsibilities and limitation of these responsibilities to MEL
- security measures, including the procedures to prevent unauthorised instructions on your account
- margin requirements and settlement obligations
- trading procedures, including electronic recording of telephone calls
- the implications of a failure by you to settle or provide security for amounts payable to MEL or to its Clearing Firm and your liability to MEL as a result of your failure to settle
- privacy implications including the use and disclosure by MEL of your personal information
- Anti-Money Laundering and Counter-Terrorism Financing implications

## 3.7 Submitting an application

You should note that the information in section 3.6 is merely a summary of the Domestic ETO Terms and the International ETO Terms. You should read the respective terms and conditions carefully and ensure that you understand them. If you are uncertain about anything you should consult your adviser before proceeding.

Applications to trade ETOs are subject to MEL's eligibility criteria, including where you are a wholesale client.

The Application Form for trading Domestic ETOs and warrants is enclosed within this IM. If you wish to apply to trade US ETOs, please speak to your adviser to obtain a copy of the International Application Booklet.

## 4. Basic features of ETOs

The following information is not intended to be a detailed description of the features of the ETOs, but rather to identify some of the key features of ETOs. For a more detailed description, you should refer to the ASX resources available on [asx.com.au](http://asx.com.au).

### 4.1 Standardised contracts

The terms and specifications of ETOs (other than the premium, which is negotiated between the buyer (taker) and seller (writer)), are determined by the relevant Market Operator in accordance with the market rules.

Details of contract specifications for ETOs are generally published on the relevant Market Operator's website. The contract specifications detail the key standardised features of ETOs.

The Market Operator determines the key contract specifications for each series of ETOs.

For example, in the context of equity options traded on the ASX, the ASX sets the following:

- the underlying share (eg BHP)
- whether the option is a call option or a put option
- the contract size (that is, the number of units of the underlying share to which the option relates) – when an exchange traded equity option series is first opened by the ASX for trading, the contract size is usually 100 (eg 100 BHP shares)
- exercise style – that is American style or European style
- the exercise price (or strike price). This is the specified price at which the buyer (taker) of an equity option can, if they exercise the option, buy (in the case of a call option) or sell (in the case of a put option) the underlying shares
- the expiry date.

Similarly, for index options, the relevant parameters will also be set by the Market Operator, including the underlying index, index multiplier, exercise style, exercise price 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.

## 4.2 Call options and put options

ETOs may be call options or put options and may cover equities or an index.

### (a) Equity options

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

Put options give the buyer (taker) the right, but not the obligation, to sell a standard quantity of underlying shares at a predetermined price on or before a predetermined date. If the buyer (taker) exercises their right to sell, the seller (writer) to which the exercise notice is assigned by the Clearing House is required to buy the standard quantity of underlying shares at the predetermined exercise price.

### (b) Index options

Call options (in the case of index options) give the buyer (taker) the right, but not the obligation, to exercise the option. For example, for Domestic ETOs, if the ASX OPIC of the index exceeds the exercise price of the index option, the buyer (taker) will, on exercise of the option, have the right to receive an amount of money which is determined by multiplying the difference between the OPIC and the exercise price by the index multiplier specified by the ASX. If the buyer (taker) exercises the option, the seller (writer) to which the exercise notice is assigned by ASX Clear is required to pay the corresponding amount.

Put options (in the case of index options) give the buyer (taker) the right, but not the obligation, to exercise the option. For example, for Domestic ETOs, if the ASX OPIC of the index is less than the exercise price of the index option, the buyer (taker) will, on exercise of the option, have the right to receive an amount of money which is determined by multiplying the difference between the OPIC and the exercise price by the index multiplier specified by the ASX. If the buyer (taker) exercises the option, the seller (writer) to which the exercise notice is assigned by ASX Clear is required to pay the corresponding amount.

## 4.3 Exercise style

Domestic ETOs may be 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 domestic equity ETOs are American style options. Domestic index ETOs are European style. LEPOs are all European exercise style options.

There is a further exercise style of US ETOs called 'capped' options. A capped option may be exercised only on the expiry day and in addition will be automatically exercised if the value of the underlying interest on any trading day (determined at a specified time of day) equals or exceeds (in the case of a call option), or equals or is less than (in the case of a put option), the pre-established 'cap price' for the option.

US equity ETOs are American style. US index ETOs are either American or European style.

## 4.4 Premium

As noted above, the only term of an option contract which is not set and pre-determined by the Market Operator 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.

The premium for an equity option is quoted on a 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 Shares Per Contract (**SPC**) at the time the option series is opened, but may be adjusted by the Market Operator). For example, if you buy an ASX call option with a premium quoted at 25 cents per share and the contract size is 100 SPC, the total premium is \$25.00 (being  $0.25 \times 100$ ).

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 cost of \$300 per contract.

The value of an option will fluctuate during the option's life depending on a range of factors including the exercise price, or the price of the underlying share or the level of the underlying index, the volatility of the underlying share or the underlying index, the time remaining to expiry date, interest rates, dividends and general risks applicable to markets.

Ultimately, the pressure of supply and demand determines the value of options.

### Time value

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

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

A call option is said to be:

- in-the-money where the exercise price is less than the share price;
- at-the-money where the exercise price equals the share price;
- out-of-the-money where the exercise price is greater than the share price.

A put option is said to be:

- in-the-money where the exercise price is greater than the share price;
- at-the-money where the exercise price equals the share price;
- out-of-the-money where the exercise price is less than the share price.

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

- **time to expiry** – in general, the longer the time to expiry, the greater the time value of the option. Time value declines as the expiry of the option draws closer. This erosion of time value is called time decay. It is not constant, but increases rapidly towards expiry
- **volatility** – in general, the greater the volatility of the underlying asset, the greater the time value will be. This is due to the fact that the writer is exposed to a greater probability of incurring a loss, and will require higher premium income to compensate for the increased risk
- **interest rates** – in general, an increase in interest rates will lead to higher call option premiums and lower put option premiums, all else being equal. This reflects the cost of funding the underlying shares. The taker of a call option can defer paying for the shares until the option's expiry date, and invest the funds elsewhere during this period. As interest rates rise, more interest can be earned on the funds, so the call option is worth more to the option taker. The effect of an interest rate rise is the opposite for put options, as the taker is deferring the receipt, rather than the expenditure of funds
- **dividends** – if a dividend is payable during the life of an option, the premium of a call option will be lower, and the premium of a put option higher, than if no dividend was payable. This is because shares tend to fall in value on going ex-dividend, all else being equal. Anything that leads to lower share prices will make call options less valuable, and put options more valuable.

## Options valuation

Most valuations involve the use of a mathematical formula which includes calculating the intrinsic and time value of the particular option. Market prices can and will often differ from the theoretically calculated price. For further information about Domestic ETO pricing, you should refer to the material on options pricing that is available on the ASX website ([asx.com.au](http://asx.com.au)). The ASX also provides a pricing calculator on its website.

For valuation information on US ETOs, you should refer to the options pricing section on the Options Industry Council's website [optioneducation.org](http://optioneducation.org), (found under 'Getting Started with Options' or by searching for 'Options Pricing').

You can obtain current price information from your adviser.

## 4.5 Adjustments

The ASX may, in accordance with the ASX Operating Rules, make an adjustment to any of the specifications of a Domestic ETO 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. If the ASX does make an adjustment it will endeavour to do so in a way which puts the seller (writer) and buyer (taker) 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 (takers) and sellers (writers) at the time of the adjustment. In some cases, the ASX may decide not to make an adjustment for a corporate action and, instead, direct that open positions be terminated or closed out. When the ASX makes an adjustment to the terms of an option series, ASX Clear will make a corresponding adjustment to the terms of contracts which are already open.

The ASX has issued an **Explanatory Note for ASX Option Adjustments** which can be found on its website. This provides further information regarding option adjustments made by the ASX.

Similarly, the Market Operator of a US exchange may make adjustments to the specifications of US ETOs to reflect corporate actions in respect of the underlying shares. Changes can be made to the contract price, exercise price, expiry date, number of contracts and the underlying securities. Such changes can affect whether your ETO is in-the-money or out-of-the-money.

Decisions about adjustments to US ETOs are made by the OCC. For more information, refer to the OCC By-Laws, available on the OCC website [theocc.com](http://theocc.com).

## 4.6 No dividends or entitlements

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.

If the buyer (taker) of a call option wants to participate in a prospective dividend or entitlement, the buyer (taker) will need to first exercise the option, allowing sufficient time to become the registered holder prior to the ex-dividend or ex-entitlement date. The resulting sale and purchase of underlying shares on the exercise of an equity option will settle on the second business day following the exercise of the option (see section 4.12).

## 4.7 ETO Positions

If you have opened a position as the buyer (taker) of an ETO, you have the following alternatives:

- you can exercise the option
- you can hold the option to expiry and allow it to lapse
- you can close out the position by selling an option in the same series and instructing us to 'close out' the open position
- you can roll the option to the next period.

Similarly, if you have opened a position as the seller (writer) of an ETO, you have the following alternatives:

- you can hold the option until expiry and risk being exercised (at any time for American exercise style ETOs). If it is not exercised against the seller (writer), it will lapse without any further obligation or liability on the seller (writer)
- you can close out the option by buying an option in the same series (provided it has not been exercised against) and instructing us to 'close out' the open position
- you can roll the option to the next 'period'.

## 4.8 Exercise by the buyer (taker) and assignment to the seller (writer)

The buyer (taker) of an ETO has the right (but not the obligation) to exercise the Contract. This means that the seller (writer) of an ETO may be exercised against at any time prior to expiry (American style only). For Domestic ETOs, when the buyer (taker) exercises an option, ASX Clear will randomly assign that exercise to an open position held by a writer in the relevant option series. For US ETOs, when the buyer (taker) exercises an option, the clearing member of the OCC assigns that exercise to an open position, either on a 'first-in, first-out' or a random selection basis. Refer to section 5.1 for more detail.

To exercise a Contract prior to expiry, you are required to issue exercise instructions to us. MEL will then manually exercise the option position.

## 4.9 Expiry

ETOs have a limited life span and expire on a specified day in the expiry period (month or week), as determined by the Market Operator. For Domestic monthly equity options, the option expires 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 on the Thursday prior.

Domestic weekly equity options will expire every Thursday of the contract week, unless otherwise specified by the ASX. Note where a Thursday is not a trading day, the expiry date will be the next trading day. Where there is a half-trading day, expiry will occur on the preceding trading day.

Domestic index options and index LEPOs expire on the Thursday of the contract week (for weekly options) or the third Thursday of the contract month (for monthly options) provided that day is a business day.

A weekly option will not be listed in the week where the weekly option would expire alongside the monthly option.

The ASX has the right to change these expiry dates should the need arise. Expiry day information is available on the ASX website.

Expiry day information for US ETOs is available on the website for the relevant exchange. Generally, US equity and index options expire on the third Friday of the expiry month (for the time zone of the relevant US exchange). Refer to section 5.2.5 for a list of US exchanges and their websites.

## 4.10 Automatic exercise

We will automatically exercise your bought (taken) Contract that is in-the-money at the date of expiry. This means that any options that are in-the-money by any amount on expiry night will be exercised.

For call options and LEPOs, the position will be in-the-money when the exercise price is lower than the price of the underlying shares. For put options, the position will be in-the-money when the exercise price is higher than the price of the underlying shares.

If you do not wish to have your Domestic ETO Contract automatically exercised, you must contact us no later than 4.30pm (Sydney time) on the day of expiry. If you do not wish to have your US ETO Contract automatically exercised, you must contact us on the business day before the day of expiry.

In some instances even when a Contract is in-the-money, the benefits of exercising might be outweighed by the transaction costs of the exercise. MEL will not make this determination for you.

All unexercised Contracts will lapse on the expiry date.

## 4.11 Deliverable or cash settled

ETOs are either deliverable or cash settled.

Options are described as deliverable where the obligations of the buyer (taker) and seller (writer) are settled by the 'delivery' of the underlying share. Equity options are deliverable, because on exercise, one party is required to transfer the underlying shares to the other at the exercise price.

Options are described as cash settled where a buyer (taker) and seller (writer) settle their obligations by payment and receipt of a cash amount. Index options are cash settled.

## 4.12 Settlement following exercise of an ETO

When an equity option is exercised by a buyer (taker) and the exercise is assigned by the Clearing House or clearing member 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 (writer) and the buyer (taker). The parties to this transaction must then settle that transaction in the same way as any other exchange traded share transaction.

For Domestic equity ETOs, payment for, and the delivery of underlying shares occurs via ASX Clear Electronic Sub-register System (**CHES**) on the second business day following exercise of the option. CHES 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. For Domestic index ETOs, settlement occurs on the first business day following exercise of the index option. Your obligations in relation to settlement are set out in the terms and conditions contained within this IM.

Index options are cash settled. When an index option is exercised by a buyer (taker), and the exercise is assigned by ASX Clear to an open position of a seller (writer), the seller (writer) of the option must pay the cash settlement amount to ASX Clear. That amount will be determined by the difference between the exercise price (set by the ASX) and the OPIC as notified by the 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 titled Trading index options in the ASX **Understanding Options Trading** booklet.

Settlement of US ETOs is similar except that the settlement facility is the OCC and the transaction occurs through your international securities trading account. MEL uses the services of a third party Clearing Firm, which is a member of the relevant US exchanges to execute, settle, clear and provide custody services in respect of all US ETO transactions on behalf of clients.

When you open or close a position, payment occurs on the day after the transaction is executed. On exercise, payment for and delivery of the underlying shares occurs in line with the standard equities settlement cycle in the US (currently the second business day after the date of exercise). For cash settled US index options, a cash settlement is paid to exercising takers on the day after the expiry date. You should refer to the website on the relevant exchange (exchange websites are listed in section 5.2.5), for information about settlement that is particular to an exchange.

## 4.13 Time for payments to us

The Domestic ETO Terms and the International ETO Terms (if applicable) specify that all payments to us, whether they are payments of premium, settlement amounts or margins payable to the Clearing House or to MEL, are to be made within 24 hours of being advised by us. Please see the discussion on margins in section 5.2.

## 4.14 Cooling-off period

No cooling off rights apply to your trading in ETOs.

## 4.15 Contracts which are open for trading

Full details of all ETOs listed on ASX and expiry date information can be found on the ASX website or alternatively through information vendors or media.

A list of current option codes and delayed price information is available on the ASX website.

Full details of US ETOs and expiry dates, as well as option codes and delayed price information are available on the relevant exchange websites, which are listed in section 5.2.5.

If you cannot access the above information, please contact us and we will provide you with the information.

## 4.16 Closing out an ETO position

An ETO may be 'closed out' by entering into an option in the same series, but in the 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:

- 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 (taker) of a call option may have paid a premium of \$1.00 per option, and the same option series may now be able to be sold for a premium of \$1.20, because the price of the underlying shares has increased. The buyer (taker) 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 (taker) of a call option may have paid a premium of \$1.00 per option, and the same option series may now be able to be sold for only \$0.80, because the price of the underlying shares has decreased or because the time to expiry has reduced. The buyer (taker) may therefore close out their position by selling an option in the same series, crystallising a loss of the difference of \$0.20 per underlying share.

It is important that you advise us if you are seeking to 'close out' an existing position when placing your order.

#### 4.17 LEPOs – some distinguishing features

LEPOs (over equities) are essentially equity options with an exercise price of one cent per underlying share. LEPOs are European style options and can only be exercised on the expiry date. The buyer (taker) of a LEPO has the right to buy an agreed number of shares (typically 100 shares per LEPO contract) at a specified future date, in return for the payment of the exercise price (one cent per share). The seller (writer) of a LEPO undertakes to sell the underlying shares at expiry in return for the exercise price. The seller (writer) of a call option is only required to deliver the underlying shares if the buyer (taker) exercises the option. When you enter into a LEPO, you do not pay (or receive) the full amount of the premium upfront. Instead, you pay or receive margins during the life of the LEPO and pay or receive the balance of the premium if and when you exercise the LEPO. LEPOs are different from standard ETOs in a number of ways:

- LEPOs are only available as call options
- LEPOs are European style options, meaning they are only exercisable on expiry day, while standard equity options are generally American style options exercisable at any time before expiry. Refer to section 4.10 of this IM for information about automatic exercise on ETOs and LEPOs
- LEPOs have a very low exercise price and a much higher premium – close to the market value of the underlying share of the LEPO
- LEPOs have only one exercise price per expiry period (i.e. week or 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 (taker) effectively pays a margin, which represents a small percentage of the value of the underlying shares. In standard equity options, the buyer (taker) pays the premium upfront and the seller (writer) receives the premium upfront
- both the buyer (taker) and seller (writer) of a LEPO are subject to ongoing margining.

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. Buying a LEPO is similar to a forward purchase of shares, while selling a LEPO is similar to a forward sale of shares. 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 (writers), short selling shares. Although the exposure with LEPOs is similar to owning the shares, you are not entitled to dividends or other rights attached to the shares, such as voting rights.

#### 4.18 Information on trading strategies for ETOs and LEPOs

The ASX website ([asx.com.au](http://asx.com.au)) contains useful resources on trading strategies using Domestic ETOs and LEPOs.

For information in relation to trading strategies using US ETOs, refer to 'strategies' section on the Options Industry Council website.

#### 4.19 US LEAPS®

Long-Term Equity Anticipation Securities® (LEAPS®) are American style options on certain US listed securities that, upon listing, have maturities of greater than 12 months. With the exception of the longer maturity date, US LEAPS® specifications are the same as those for regular-term US equity options. The expiry date can be up to three years in the future.

LEAPS® is a registered trademark of Chicago Board Options Exchange, Incorporated.

## 5. Clearing and settlement arrangements – the role of the Clearing House

Domestic ETOs are traded on the ASX's trading platform and cleared through ASX Clear. Participants of the ASX must comply with the ASIC Market Integrity Rules, and the ASX Operating Rules. Participants who clear option contracts must comply with the ASX Clear Operating Rules (**ASX Clear Rules**). The Clearing House for ASX traded options is ASX Clear which is a licensed clearing and settlement facility under the Corporations Act. MEL is a participant of both the ASX and ASX Clear.

MEL uses a third party Clearing Firm to provide execution, settlement, clearing and custody services for US ETOs. ETOs traded on US exchanges are subject to US market regulations. US ETOs are cleared by the OCC, a US regulated clearing and settlement house.

### 5.1 The role of the Clearing House

All Domestic ETOs traded for you by us will be cleared by ASX Clear, subject to ASX Clear Rules.

When we enter into a Domestic ETO trade for you, the transaction is reported to ASX Clear for registration. On registration of a contract by ASX Clear, the original traded contract is terminated and replaced by two contracts, known as Derivatives Central Counter Party (**CCP**) Contracts. One of those is between the Clearing Firm who clears the contract for the buyer (taker) of the option contract and ASX Clear. The other is between the Clearing Firm who clears the contract for the seller (writer) of the option contract and ASX Clear. This process of registration and creation of two Derivatives CCP Contracts is known as 'novation' and is described briefly in the online course describing how options are traded on the ASX website ([asx.com.au](http://asx.com.au)).

All US ETOs traded for you by our third party Clearing Firm will be cleared by the OCC, subject to the OCC By-Laws and Rules.

When the Clearing Firm enters into a trade for you, it submits the trade as a confirmed trade to the OCC for clearing. Upon acceptance of the confirmed trade, the OCC is substituted through novation as the buyer to the seller and the seller to the buyer and the rights of the parties to the transaction will be against the OCC.

For both Domestic and US ETOs, you, as the client, are not a party to the ETO contracts. Rather, the Clearing Firm, as a representative for you, has obligations to the Clearing House and the Clearing House has obligations to the Clearing Firm, even though the ETO may have been entered into on your instructions.

### 5.2 Margins

As Clearing Houses contract with Clearing Firms as principals, where a Clearing Firm has an exposure under an ETO contract to the Clearing House, the Clearing House will call amounts of money known as 'margin' from the Clearing Firm as cover.

Margins are generally a feature of all exchange traded derivative products and are designed to protect the Clearing House against default. A margin is the amount calculated by the Clearing House as necessary to cover the risk of financial loss on an ETO contract due to an adverse market movement.

The seller (writer) of an ETO will ordinarily be required to pay margin in respect of that contract or provide collateral acceptable to the Clearing House. That is because the Clearing House is exposed to the risk that the seller (writer) will not perform their obligations if and when the option is exercised. For ETOs other than LEPOs, the buyer (taker) of an ETO will not be required to pay margin in respect of that contract – they must pay the premium upfront and that is the maximum amount the buyer (taker) of the option can lose in respect of that contract (plus transaction costs).

Margin requirements for option writers are complex and are not the same for every type of underlying asset. Margin requirements are subject to change, and may vary from time to time, at the discretion of the Clearing Firm or Clearing House. Margin requirements can have an important effect on an option writer's risks and opportunities. If you are considering writing options, you should determine the applicable margin requirements from your adviser or the Clearing Firm and be sure that you have sufficient liquid assets to meet those requirements in the event of adverse market movements.

### 5.2.1 Margins for Domestic ETOs

For Domestic ETOs, ASX Clear calculates margins daily using a margin calculation engine called Standard Portfolio Analysis of Risk (**SPAN**).

The total margin for ETOs is made up of two components:

- (a) the premium margin, which is the market value of the particular position at the close of business each day. It represents the amount that would be required to close out your position;
- (b) the SPAN requirement contains further margin charges and margin concessions. The SPAN requirement uses the following:
  - the Scan Risk - the basic evaluation of risk replicating how positions will gain or lose under particular combinations of price and volatility movements. Scan risk uses price and volatility scan ranges
  - the Intracommodity Spread Charge - risk levels related to particular patterns of calendar spreading
  - Delivery Risk - risk related to positions in physically deliverable products as they approach or enter their delivery period
  - the Intercommodity Spread Credit - reductions to risk associated with risk offsets between associated products
  - Short Option Minimum - an evaluation of the irreducible minimum risk related to portfolios.

If you have a number of option positions open, SPAN will evaluate the risk associated with your entire options portfolio and calculate your total margin obligation accordingly. It is possible that some option positions may offset others, leading to a reduction in your overall obligation.

Amounts of margin are determined daily by ASX Clear, following the close of trading each day. In times of high volatility an intraday margin call may be made by ASX Clear.

We will, under the terms of our agreement with you, call from you all amounts of margin which ASX Clear calls from us in respect of positions which we have entered into for you. We may also call for greater amounts of margin if we regard this as appropriate.

For further information and detailed examples of how the ASX margin calculation engine works, refer to the ASX material on margins.

### 5.2.2 How ASX Clear calculates LEPO margins

To understand the margining process for LEPOs you should first read the material on LEPOs that is available on the ASX website ([asx.com.au](http://asx.com.au)) which sets out the features and benefits of LEPOs.

Unlike ordinary ETOs, where only the writer is margined, with LEPOs both the taker and the writer are margined. This is because the taker of a LEPO does not pay the writer the full premium upfront. As such, the taker is margined as they have an obligation to pay the premium.

### 5.2.3 MEL additional margins

MEL may at its discretion assign an additional margin amount payable by you. This additional margin will be payable by you to MEL over and above the margin set by the Clearing House. MEL may charge this additional margin amount to provide additional margin protection against volatile market conditions, to assist MEL in satisfying its obligations to ASX Clear in respect of your account and to cover the risk of financial loss to MEL as a result of the trading on your account.

MEL may at its discretion assign a maximum margin limit to each account. You need to ensure the account's total margin does not exceed the account's margin limit. For further information please refer to section 11, 'Failure to settle and Close-Out generally' of the Domestic ETOs and Warrants Trading Agreement. If the account margin limit is exceeded, you understand that MEL may, at its discretion, reduce your open positions to within your margin limit.

### 5.2.4 Margins for US ETOs

Minimum margin requirements for US ETOs are imposed by the relevant exchange Market Operator and the Clearing House, and higher margin requirements may be imposed either generally or for certain positions by the Clearing Firm that is a member of the US exchange.

The Clearing House for US ETOs, the OCC, uses risk management methodology known as STANS methodology. The STANS methodology is used to measure the exposure of portfolios of options, futures and cash instruments cleared and carried by OCC on behalf of its clearing member firms. STANS allows clearing institutions to measure, monitor and manage the level of risk exposure of their members' portfolios.

Our third party Clearing Firm collects margin for the Clearing House and may require additional margin to be paid by you.

The Clearing Firm may, at its discretion, require the deposit of additional collateral and to set required margin at a higher or lower amount with respect to particular accounts or classes of accounts as it deems necessary. In making these determinations, the Clearing Firm may take into account various factors including the size of the account, liquidity of a position, concentrations of securities or positions in an account, or a decline in creditworthiness. If you fail to meet a margin call in a timely manner, some or all of your positions may be closed out.

### 5.2.5 Website references for US ETOs

Please refer to the following website addresses for the most commonly traded US exchanges on which specific margin details for US ETOs can be found;

- **BOX Exchange LLC**  
boxexchange.com
  
- **Cboe Options Exchanges**  
Cboe Options Exchange  
cboe.com  
  
Cboe C2 Options Exchange  
Cboe BZX Options Exchange  
Cboe EDGX Options Exchange  
markets.cboe.com/us/options
  
- **MIAX Options Exchanges**  
MIAX Options®  
MIAX Emerald®  
MIAX PEARL®  
miaxglobal.com
  
- **Nasdaq Exchanges**  
Nasdaq Options Market  
Nasdaq BX Options  
Nasdaq PHLX LLC  
Nasdaq ISE  
Nasdaq GEMX  
Nasdaq MRX  
www.nasdaq.com
  
- **NYSE Exchanges**  
NYSE American Options  
NYSE Arca Options  
nyse.com

If you do not have access to these websites or if you are interested in trading on other US exchanges, please contact us and we will arrange to forward the specific margin information to you.

Note that these exchanges may change, and we recommend you refer to the Options Clearing Corporation website at theocc.com for the latest list of OCC participating exchanges.

For further information about the margin requirements of our third party Clearing Firm, please speak to your adviser.

## 5.3 Collateral

ASX Clear margin obligations may be met by paying cash or by providing certain types of eligible collateral (eg shares). Shares which are acceptable to ASX Clear may be lodged with ASX Clear as collateral for margin obligations relating to ETO positions. When shares are lodged with ASX Clear, the shares are held by ASX Clear as 'third party security' in the sense that they represent collateral provided by you to secure our obligations as Clearing Firm to ASX Clear.

Margin obligations for US ETOs may be met by providing certain types of eligible collateral which are acceptable to the Clearing Firm and the Clearing House including cash and eligible securities.

### Types of collateral cover

#### Specific cover

This includes shares lodged as collateral to cover call options written over those specific shares, eg 100 BHP shares lodged to cover one written BHP call option.

#### Non-specific cover

This includes shares lodged as collateral to cover Clearing House margin. As a risk management tool the Clearing House or Clearing Firm may apply a 'haircut' in relation to the value of non-specific collateral lodged for ETOs. For example, if you lodge \$10,000 worth of collateral and the Clearing House applies a 30 per cent haircut, only \$7,000 will be considered as collateral cover for any margin obligations.

You must pay margin to us, or provide alternative collateral which is acceptable to us, within 24 hours of receiving a margin call from us. Any interest levied on late settlement and margin payments is due and payable at the time the amount is levied and within one business day of the demand being made by MEL.

## 5.4 Client trust accounts

### Domestic ETO trading

Where you pay money to Macquarie, or when someone pays money to Macquarie on your behalf, in relation to Domestic ETOs, the money is paid into one or more trust accounts.

The trust accounts are operated in accordance with the client money rules as set out in the Corporations Act, the ASIC Market Integrity Rules and the ASX Clear Operating Rules. The monies held in the trust accounts on your behalf are not used to meet the obligations of any other clients, nor to meet any liabilities of any Macquarie Group entity.

The trust accounts operate in the following way:

- each trust account is a bank account held in Macquarie's name with an Australian deposit taking institution (including Macquarie Bank Limited).
- payments out of a trust account will only be made in the following circumstances:
  - making payments to you (including to your Linked Settlement Account);
  - making payments to settle transactions instructed by you;
  - making payments in accordance with any other directions received from you, including any standing instructions;
  - making payment to another trust account;
  - paying us monies that you owe us;
  - paying another Macquarie Group entity any monies that you owe it in relation to the Vision Service;
  - paying brokerage and other proper fees or charges; and
  - making a payment that is otherwise authorised by law or pursuant to the Operating Rules.
- any interest earned on funds paid into a trust account is retained by Macquarie and will not be returned to individual clients.

## US ETO trading

All monies paid to MEL's third party Clearing Firm by you, or by someone acting on your behalf, in relation to US ETO trading, is held in custody by the Clearing Firm. The Clearing Firm has obtained an exemption from the Australian Securities and Investment Commission (**ASIC**) from the need to comply with the requirements of section 981B of the Corporations Act on the condition that:

- it holds any client money in accounts in the name of Pershing at a bank incorporated in the United States;
- the bank is regulated by the Federal Reserve Board; and
- in relation to the client money, Pershing is subject to regulation by the United States Securities and Exchange Commission and under the Securities Investor Protection Act of 1970.

Pershing will hold your money this way, rather than in accordance with section 981B. However, Pershing is prohibited under US law, from using the cash to finance its own investments.

The US laws and regulations which govern how the Clearing Firm maintains custody of your money may differ from the laws and regulations to which other Australian financial services licensees are subject. Your right to recover your money in the event of the Clearing Firm's insolvency may differ from the rights you would have in the event that the Clearing Firm did not hold an exemption from the relevant Corporations Act requirements. For more information about MEL's third party Clearing Firm and their treatment of client money, please refer to the International Application Booklet which includes a copy the Clearing Firm's FSG.

## 6. Benefits of ETOs

ETOs can have a number of benefits and these include:

### (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. Sellers (writers) of options will receive a premium upfront, when the option is entered into. The risk is that the seller (writer) will need to maintain margin obligations throughout the life of the position and may be exercised against. For more information on the lodgement of collateral for margin obligations, please refer to section 5.3 Collateral. This exercise will result in the seller (writer) being required to deliver the underlying shares to the buyer (taker) at the exercise price.

### (c) Time to decide

By buying (taking) a call option, the purchase price for the underlying shares is locked in. This gives the call option holder time to decide whether or not to exercise the option and buy the shares. The holder has until the expiry date to make their decision. Likewise the buyer (taker) of a put option has time to decide whether or not to sell the shares.

### (d) Reduce counterparty risk

ETOs benefit from standardisation and registration with a clearing and settlement facility which reduces counterparty default risk. The Clearing Firm's risk is to the Clearing House, 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 rising or falling markets

Investors can profit from both rising and falling markets depending on the strategy they have employed. Strategies may be complex and different levels of risk will be associated with each strategy.

### (g) Leverage

The initial outlay for an options contract is not as much as investing directly in the underlying shares. Trading in options can allow investors to benefit from a change in the price of the share without having to pay the full price of the share. An investor can 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. However, investors need to understand that leverage can also produce increased risks (see section 7).

**(h) Diversify portfolios**

Given the lower initial outlay attached to options, investors can diversify their portfolios and gain a broad market exposure over a range of shares or the index itself.

**(i) In relation to LEPOs:**

- (i) When you open 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.
- (ii) 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 stock position. Using a LEPO can also be a cost-effective alternative to borrowing to fund a purchase of shares.
- (iii) 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.
- (iv) LEPOs are European style options, meaning they are only exercisable on expiry day.

For further information and detailed examples of trading LEPOs, please refer to the ASX website ([asx.com.au](http://asx.com.au)) that contains guidance.

## 7. Significant risks of trading ETOs with Macquarie

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

This IM does not cover every aspect of risk associated with ETOs. For further information concerning risks with Domestic ETO trading, you are referred to the ASX website ([asx.com.au](http://asx.com.au)) that contains information about ETOs.

For further information concerning risks with ETOs traded in the United States, the Options Industry Council offers useful information on its website [optionseducation.org](http://optionseducation.org)

The significant risks include:

**(a) Third Party Clearing and Settlement Risk**

**TPP appointed as ASX equities clearer**

As you are aware MEL has appointed TPP as its third party clearer for ASX equities transactions, while MEL will continue to clear ETO transactions.

What this means for your ETO account is that:

- any equities transactions that result from an exercise or assignment of ETO positions will be cleared and settled by TPP; and
- any instruction you provide MEL to lodge or withdraw equities collateral, will be received by MEL but will be handled for you by TPP.

**ASX conditions and Trigger Events**

- ASX has placed conditions on MEL that will apply if TPP is suspended as a clearing participant and MEL does not have other arrangements in place to clear equities transactions (Trigger Event).
- If a Trigger Event occurs, MEL will be required to close out your ETO positions. This is the case even where the ETO position is wholly cash settled or where you have provided, and can continue to provide, adequate collateral to support the position.

**Macquarie not liable for Trigger Event losses**

- MEL will not be responsible for any losses you incur as a result of a Trigger Event occurring and MEL closing your ETO positions and MEL will be entitled to recover any amounts which you owe to MEL in respect of the positions.

### ASX conditions in more detail

- Specifically, the ASX conditions require the following on the occurrence of a Trigger Event:
  - (i) Cash Settled Options (typically index options)
    - If not transferred to a new ETO participant, the position must be closed out by the 6th business day following the Trigger Event
  - (ii) Physically Settled Options (typically single stock options)
    - No new orders will be accepted by MEL except to close out existing open positions
    - You will not be able to instruct MEL to exercise your ETO positions
    - You will not be able to take delivery of any stock in respect of an exercise notice assigned to your position
    - Existing American style ETOs must be closed out or transferred to a new ETO participant by 7pm on the business day after the Trigger Event
    - Existing European style ETOs must be closed out or transferred to a new ETO participant:
      - If the expiry date is the same day as the Trigger Event - by 7pm that day
      - If the expiry date is within 5 business days after the Trigger Event - the day prior to expiry
      - If the expiry is more than 5 business days after the Trigger Event - 5 business days prior to expiry but in any case on or before the 6th business day after the Trigger Event.

### Prior notice

- If a Trigger Event happens, MEL may take the steps set out above without providing you with any prior notice.

### (b) Unlimited loss for sellers (writers)

Whilst sellers (writers) 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 (writer) is a fixed amount; however, the seller (writer) may incur losses greater than that amount. For example, the seller (writer) of a call option has increased risk where the market rises and the seller (writer) does not own the underlying shares. If the option is exercised, the seller (writer) of the option is forced to buy the underlying shares at the current (higher) market price in order to deliver them to the buyer (taker) at the exercise price. Similarly where the market falls, the seller (writer) of a put option that is exercised is forced to buy the underlying shares from the buyer (taker) at a price above the current market price.

### (c) Loss of margin for sellers (writers)

Sellers (writers) of ETOs could sustain a total loss of margin funds deposited with their broker where the market moves against the option position. In addition, the seller (writer) may be obligated to pay additional margin funds (which may be substantial) to maintain the option position or upon settlement of the contract. For more information about margining, please refer to section 5.2.

### (d) High leverage

The high level of leverage that is obtainable in trading ETOs (due to the low level of initial capital outlay) can work against you as well as for you. Depending on the market movement, the use of leverage may lead to large losses as well as large gains.

### (e) Capital loss

By trading in ETOs, you are exposed to the risk of losing capital. Speculators should not risk more capital than they can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

### (f) Price sensitive announcements

As a general rule, price movements in the underlying share can significantly affect the value of ETOs. The value of the underlying share is affected by information that is announced to the Market Operator in relation to the share. Accordingly, it is advisable that you regularly review information announced to the exchange in relation to relevant underlying shares. Price sensitive announcements are available on the website of the relevant Market Operator.

### (g) Market movements

ETOs are subject to movements in the underlying market. Options may fall in price or become worthless at or before expiry.

### (h) Underlying market

Events that affect the underlying market of a share make it difficult for you to hedge or maintain your exposure under an open ETO contract.

**(i) Close-Out difficulties**

Under certain conditions, it could become difficult or impossible to close out a position and the relationship between the price of Contracts and the underlying share may be distorted. Examples of when this may happen include:

- (i) if there is a significant change in the price of the underlying share over a short period of time
- (ii) if there is an absence or reduction in the number of willing buyers (takers) and sellers (writers) in either the ETOs market or the underlying market
- (iii) if the market is suspended or disrupted for any reason.

**(j) Contingent orders difficult**

The placing of contingent orders may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders. For example, if the price of the underlying share moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result.

**(k) Loss of LEPO margins**

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 (writers), short selling shares. An important feature of LEPOs is that both the buyer (taker) and the seller (writer) are margined. When you buy a LEPO you do not pay the full amount of the premium upfront. Instead, you pay or receive margins during the life of the LEPO until the LEPO is closed out or exercised, in which case you pay or receive margins until the scheduled settlement date of the underlying shares and pay or receive the balance of the premium on the scheduled settlement date of the underlying shares.

**(l) Limited life span**

ETOs have a limited life span as their value erodes as the option reaches its expiry date. It is therefore important to ensure that the option selected meets your investment objectives.

**(m) 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 (taker) will lose the total value paid for the option (the premium) plus transaction costs.

**(n) Adjustments**

Market Operators generally have the ability to change the contract specifications of ETOs or close out positions following corporate actions in relation to the underlying securities of ETOs. Such changes can affect whether your ETO is 'in' or 'out' of the money and you will need to review any adjustments to ensure that the position still falls within your investment strategy. Refer to section 4.5 for more information about adjustments.

**(o) ASX powers**

The ASX and ASX Clear have discretionary powers in relation to the Australian market and the operation of the clearing facility. They have power to suspend the market operation, or lift market suspension. If the underlying shares are in trading halt and if the circumstances are appropriate, they can restrict exercise, terminate an option position or substitute another underlying share (or shares), impose position limits or exercise limits or terminate contracts. This is to ensure fair and orderly markets are maintained as far as practicable. These actions can affect your option positions.

**(p) Trading disputes**

Trades effected on an exchange may be subject to dispute. When a trade is subject to a dispute, the Market Operator generally has powers, in accordance with its rules, to request that a broker amend or cancel a trade, which will in turn result in the contract with the client being amended or cancelled. In some situations, the Market Operator may also exercise powers to cancel or vary, or direct the cancellation or variation, of transactions.

**(q) Trade amendments and cancellations**

Under our terms and conditions, we have the ability to amend or cancel the trade in certain circumstances. This could cause you to suffer loss or increase your loss. A trade executed on your behalf can in certain circumstances also be amended or cancelled even where the trade has been confirmed to the client.

**(r) ASX system outages**

Trades effected on the ASX are traded on an electronic trading platform and cleared through ASX Clear, which also relies on electronic systems. As with all such electronic platforms and systems, they are subject to failure or temporary disruption. If the system fails or is interrupted we will have difficulties in executing all or part of your order according to your instructions. Your ability to recover certain losses in these circumstances will be limited under the limits of liability imposed by the ASX and ASX Clear. Any market disruption may mean you are unable to deal in ETOs when desired, and they may suffer a loss as a result of a fire or other exchange emergency. The exchange could 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 operating rules.

**(s) Limited profit for Capped options**

You should be aware when trading capped options that your potential for profit is limited. This is because capped options are automatically exercised when the underlying security reaches a predetermined 'cap' price. The 'cap' price is equal to the option's exercise price plus a cap interval for a call option or the exercise price minus a cap interval for a put option.

**(t) Exchange rate movements**

If you trade in ETOs or hold a cash balance denominated in currencies other than Australian dollars, you may lose money due to exchange rate fluctuations. These losses may be additional to any losses on the option contract itself.

**(u) Capped options can be exercised before expiry**

A capped option will be automatically exercised prior to expiration if the options market on which the option is trading determines that the value of the underlying interest at a specified time on a trading day 'hits the cap price' for the option.

**(v) Default in trading Domestic ETOs**

Pursuant to the Domestic ETO Terms, we can take steps to close out or otherwise change an open position in certain limited circumstances. You should refer to the Domestic ETO Terms for a detailed description of our rights. In which case, we may, in addition to any other rights which we may have against you, without giving prior notice to you, take any action, or refrain from taking action, which we consider reasonable in the circumstances in connection with Contracts entered into in relation to your Account with us and, without limitation, we may:

- (i) enter into one or more transactions to close out one or more open positions in accordance with ASX Clear Rules;
- (ii) exercise one or more Contracts in accordance with ASX Clear Rules;
- (iii) exercise any other rights conferred by the Corporations Act, the ASIC Market Integrity Rules, the ASX Operating Rules, the ASX Clear Rules, our agreement with you, or perform any other obligations arising under the Corporations Act, the ASIC Market Integrity Rules, the ASX Operating Rules or the ASX Clear Rules in respect of ETOs;
- (iv) sell any underlying shares purchased in connection with your Account and any other shares in your Share Trading Account at your risk and expense if you fail to pay us after we demand payment;
- (v) choose not to transfer shares into your Share Trading Account until payment is received;
- (vi) purchase the required number of shares, at your risk and expense, and you must account to us as if those actions were taken on your instructions and you are, without limitation, liable for any deficiency and are entitled to any surplus which may result.

**(w) Dealing subject to US rules and laws**

Participation in transactions on US exchanges involves the execution and clearing of trades subject to the rules of that US exchange and any applicable US laws. These rules and laws may differ from Australian market rules and laws.

**(x) OCC powers**

The OCC, the Clearing Firm and participating US exchanges have discretionary powers in relation to the market and the operation of the clearing facility in relation to US ETO trading. They have power to suspend the market operation, or lift market suspension. If the underlying shares are in trading halt and if the circumstances are appropriate, they can restrict exercise, terminate an option position or substitute another underlying share (or shares), impose position limits or exercise limits or terminate contracts. This is to ensure fair and orderly markets are maintained as far as practicable. These actions can affect your option positions.

**(y) Australian regulators may not have jurisdiction over US ETO trading**

Neither ASIC nor the ASX regulates activities of US exchanges including the execution, delivery and clearing of transactions. ASIC or the ASX do not have the power to compel enforcement of the operating rules of a US exchange or any applicable US laws. Generally, the US transaction will be governed by applicable US law. This is true even if the exchange is formally linked with an exchange in Australia. Protective provisions of Australian law and the rules of the ASX may not apply, and you will not receive National Guarantee Fund coverage for your US ETO trading.

**(z) US system outages**

US ETO trades are also placed using electronic platforms and systems that are operated and maintained by the Clearing Firm that executes and clears US ETO trades. US ETO trades may also be affected by any disruptions to the relevant international exchange. MEL does not guarantee the availability or performance of these systems that are outside of its reasonable control. You may suffer financial loss in the event that the systems are disrupted, fail or are inaccessible, or there is a market disruption, or in the event that options trading ceases.

**(aa) Timing of US ETO orders**

Placing trades in the US means that, because of the time difference, there is a risk that the price of a US ETO contract you buy or sell will fluctuate between the time you place the order and the time that the order is executed, including where a trade is placed outside business hours of the relevant US market.

**(ab) Default in trading US ETOs**

Pursuant to the International ETOs Terms, we can take steps to close out or otherwise change an open position in certain limited circumstances. You should refer to the International ETO Terms for a detailed description of our rights. In which case, we may, in addition to any other rights which we may have against you, take any reasonable action, or refrain from taking any action, which we consider reasonable in the circumstances in connection with US ETO contracts entered into in relation to your account with us and we may:

- (i) enter into one or more transactions to close out one or more open positions; and
- (ii) exercise any other rights conferred by the terms and conditions and perform any other obligations arising under the terms and conditions in respect of those transactions, and you will be liable for any losses, costs and expenses incurred by us as a result of us exercising our rights, except where such losses, costs and expenses are caused by our neglect or default.

**(ac) Conflicts of interest**

Macquarie, other members of the Macquarie Group or their directors, employees or affiliates may buy and sell (whether as principal or agent) financial products related to ETOs.

In addition, members of the Macquarie Group may from time to time advise on the listed equities in relation to activities unconnected with the ETOs and which may or may not affect the value of the listed equities or ETOs.

Such relationships and advisory roles may include:

- acting as manager, underwriter or joint lead manager in relation to the offering or placement of rights, options, or other securities including shares
- advising in relation to mergers, acquisitions or takeover offers; and
- acting as general financial adviser in respect of (without limitation) corporate advice, financing, funds management and property and other services.

Macquarie may also have a commercial relationship with various senior executives of a listed equity and may sell financial products to, or advise, such senior executives in relation to the ETOs or matters unrelated to ETOs. These activities may have an adverse effect on the value of the ETOs (for example, increasing required margin) or the acceptance of orders.

## 8. Examples of trading ETOs at MEL

Trading ETOs at MEL can be categorised into five main types of trading strategies. These are described as Account Type 1 through to Account Type 5. Account Type 1 is the simplest in terms of option strategy and risk and Account Type 5 uses potentially riskier options strategies with higher levels of complexity. All account types are traded through a single ETO account.

Each of the account types are described in the following section and a sample of an options strategy that can be executed, a description of risks and rewards and a graphical representation of the pay off profile. When applying for an ETO account, you will be required to sign for the account type relevant to your needs. Each type encompasses all the strategies available in the previous type. Should your needs change in the future, the account type associated with your account can be updated upon receipt of a signed instruction.

These descriptions are followed by an options strategies summary that provides a more comprehensive listing of various options strategies including the construction of the strategy, the risks and the potential returns. These strategies are a non-exhaustive summary of strategies available for trading ETOs, and are provided for illustrative purposes only. You should discuss trading strategies with your financial adviser before making any investment decision.

US ETO trading also falls into similar categories.

### 8.1 Account Type 1

**Buy to open/sell to close** – Buying an option to open a position and only selling an option to close out a position. This type of trading allows a client to limit their exposure to the amount of money outlaid to purchase the option whilst offering unlimited profit potential. This type of strategy will not have any ASX Clear margin obligation requirement.

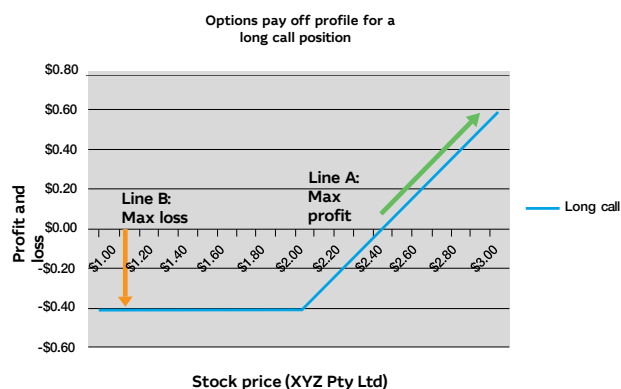
Whilst this type of strategy will not have any ASX Clear margin obligation requirements, margin obligations may exist where a similar US ETO position is entered into.

**Example: Long (bought) call position**

**Outlook:** The long call position can be used when an investor has a bullish outlook on the underlying security.

**Construction:** Buy one call option.

**Pay off profile:**



**Maximum profit:** The profit of the long call position increases as the price of the underlying share increases. This is shown on the options pay off profile for a long call position diagram by Line A.

**Maximum loss:** Maximum loss on the long call position is the premium paid (capital outlaid) for the position. This is highlighted by Line B on the options pay off profile for a long call position diagram.

**Volatility:** Increases in volatility will increase the value of the long call position.

**Time decay:** The value of a long call will erode as expiry approaches.

**Margins:** No.

## 8.2 Account Type 2

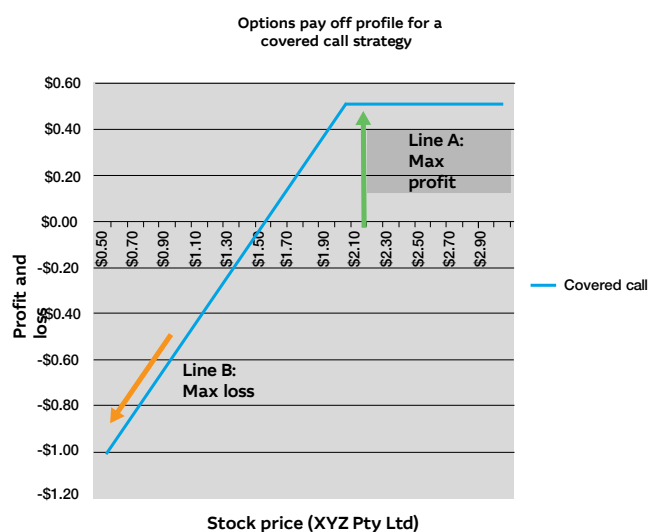
**Covered call positions** – A covered call strategy is the sale of a call option against the underlying share held on an account with MEL. This strategy will require the underlying share to be settled and lodged with the Clearing House to ensure margin obligations are met. The downside protection offered from the sale of the call option is limited to the amount of premium received. There is also an opportunity cost to investors for increases in the underlying share value above the strike price of the written call option.

**Example: Covered call position**

**Outlook:** Generally neutral, but may vary slightly between bullish and neutral depending on the strike price of the written call option.

**Construction:** Buy 100 shares in the underlying share and sell one call option.

**Pay off profile:**



**Maximum profit:** The income received from the sale of the call option and any difference between the strike price of the option and the purchase price of the stock is the maximum profit. This is referenced on the options pay off profile for a covered strategy diagram as Line A. The maximum profit does not account for any potential dividend income that may be received from the covered call strategy.

**Maximum loss:** This is the underlying share price less the premium received on the written call option. This is referenced as Line B on the options pay off profile for a covered strategy diagram.

**Volatility:** Increases in volatility will increase the value of the call option and increase the cost to buy back the call to close. Increases in volatility will hurt this strategy.

**Time decay:** Will help this strategy as each day to expiry erodes the value of the call option.

**Margins:** No margins are payable for the covered call strategy as the underlying share is lodged at the Clearing House.

Account Type 2 also includes Account Type 1 strategies.

### 8.3 Account Type 3

Account Type 3 includes covered put and spread strategies.

**Covered put positions** - A covered put strategy is the sale of a put option where the notional exposure is covered by current cash holdings held with MEL or a margin facility available on your Macquarie Share Trading Account or international securities trading account (as applicable). That is, the account has the financial capacity in available cash to take full physical delivery of the underlying position(s) at all times.

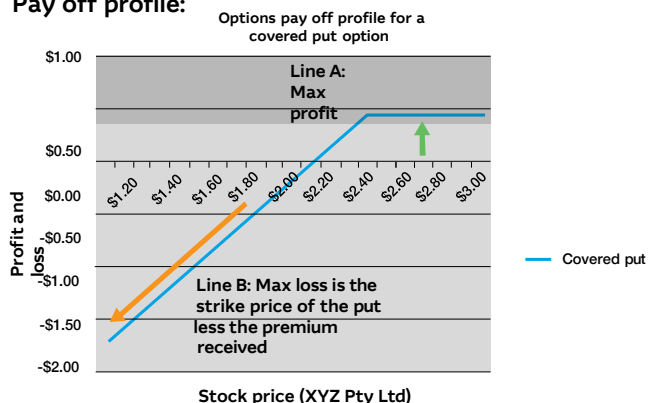
Further, to cover margins obligations, the strategy requires sufficient shares on an account held with MEL, and/or cash to be lodged with the Clearing House. A covered put strategy can be used as a way to enter a stock position at a reduced cost.

**Example one:** Covered put position

**Outlook:** Generally neutral, but may vary slightly between bearish and neutral depending on the strike price of the written put option. A put option is often written as a way to buy a share at a lower price by receiving a premium to partially offset the purchase price.

**Construction:** Sell one put option.

**Pay off profile:**



**Maximum profit:** This is the net premium received from opening the strategy and is shown by Line A on the options pay off profile for a sold put option diagram.

**Maximum loss:** This is the strike price of the put option minus the premium received for selling the put option. This is shown by Line B on the options pay off profile for a sold put option diagram.

**Volatility:** Increases in volatility will increase the value of the put option and increase the cost to buy back the put to close. Increases in volatility will hurt this strategy.

**Time decay:** Will help this strategy as each day to expiry erodes the value of the put option.

**Margins:** Yes, margins are payable on this type of option strategy.

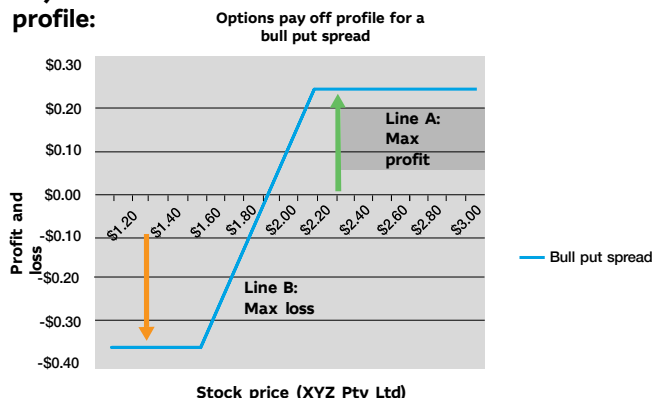
**Spreads** - Spread trades are the combination of two or more option series that can be illustrated in a diagram where both the upside and downside of the spread strategy is limited. The exposures created from a spread strategy can be determined at the time it is entered into. Margins may be payable on certain spread strategies, however, these are generally limited to the maximum loss of the strategy. These types of spread strategies can reduce risk while still benefiting from directional movements.

**Example two: Bull put spread**

**Outlook:** Bullish.

**Construction:** Buy one put option at a lower strike and sell one put option at a higher strike. This is illustrated in the options pay off profile for a bull put spread diagram showing a bought put option at strike \$1.50 and a sold put option at strike \$2.10.

**Pay off profile:**



**Maximum profit:** This is the net premium received from opening the strategy and is shown by Line A on the options pay off profile for a bull put spread diagram (\$0.25).

**Maximum loss:** This is the difference between the higher strike (\$2.10) and lower strike (\$1.50) minus the net premium received (\$0.25). This is shown by Line B on the options pay off profile for a bull put spread diagram and is equal to \$0.35 ( $\$2.10 - \$1.50 - \$0.25$ ).

**Volatility:** The impact is minimal and depends on where the underlying share is priced.

**Time decay:** If the underlying share is trading around the higher strike (\$2.10), then time decay will help. If the underlying share is trading around the lower strike (\$1.50), then time decay will hurt.

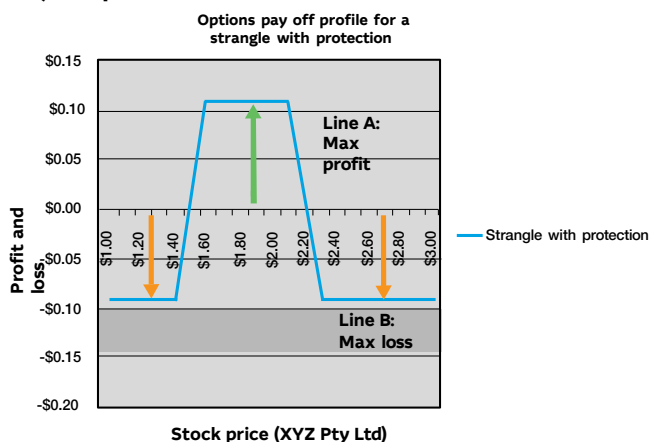
**Margins:** Yes, margins are payable on this type of option strategy.

**Example three:** Strangle with protection.

**Outlook:** Neutral.

**Construction:** Combining a bull put spread (sell one put and buy one put at a lower strike for protection) with a bear call spread (sell one call and buy one call with a higher strike for protection).

**Pay off profile:**



**Maximum profit:** This is the net premium received for opening the strategy and is shown as Line A (\$0.11) on the options pay off profile for a strangle with protection diagram. Maximum profit will occur at expiry when the underlying share price falls between the strike price of the sold put and the sold call option.

**Maximum loss:** This is limited to the difference between the strikes (\$1.60 and \$1.40) less the premium received (\$0.11) for the strategy. This is shown as Line B (\$0.09) on the options pay off profile for a strangle with protection diagram. Maximum loss occurs at expiry when the underlying share price is lower than the strike of the bought put or higher than the strike of the bought call.

**Volatility:** This varies at different points; however, being a short strategy, decreasing volatility will generally help this strategy.

**Time decay:** This varies at different points; however, time decay will generally help this strategy.

**Margins:** Yes, margins are payable on this strategy.

Account Type 3 also includes Account Type 1 and Account Type 2 strategies.

## 8.4 Account Type 4

**Index covered positions** – A covered index strategy is the sale of an index call and/or put option where the notional exposure is fully covered by shares on an account with MEL; by current cash account balance held with MEL, or by a margin facility available on your Share Trading Account or international securities trading account (as applicable), lodged as collateral with Clearing Firm.

This strategy requires sufficient shares on an account held with MEL, and/or cash to be lodged with the Clearing Firm to cover any margin obligations. The downside protection offered from the sale of the call or put option is limited to the amount of premium received. There is also an opportunity cost to investors for movements in the index value beyond the strike price of the written option.

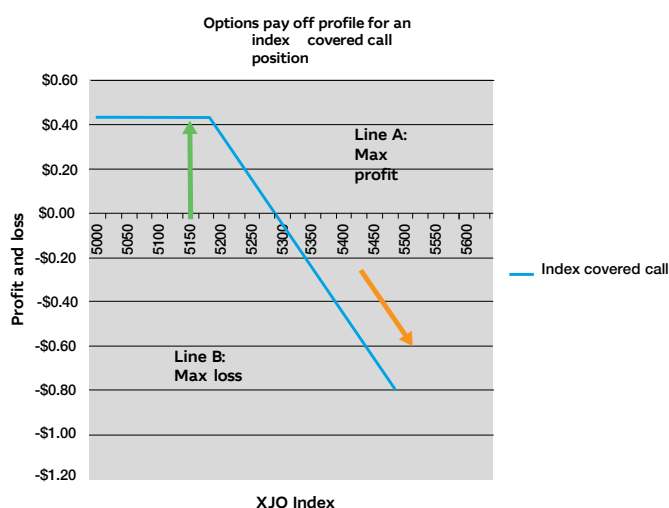
MEL may require multiples of the notional exposure to cover margin obligations. Your adviser will provide details based on the index strategy you are trading.

### Example: Index covered call position

**Outlook:** Generally neutral, but may vary slightly between bearish and neutral depending on the strike price of the written call option.

**Construction:** Sell one index call option for the notional value less than the underlying portfolio.

### Pay off profile:



**Maximum profit:** The income received from the sale of the call option and any difference between the strike price of the option and the purchase price of the underlying stock is the maximum profit. This is referenced on the options pay off profile for a covered strategy diagram as Line A. The maximum profit does not account for any potential dividend income that may be received from the covered call strategy.

**Maximum loss:** This is the underlying share price less the premium received on the written call option. This is referenced as Line B on the options pay off profile for a specific covered strategy diagram.

**Volatility:** Increases in volatility will increase the value of the call option and increase the cost to buy back the call to close. Increases in volatility will hurt this strategy.

**Time decay:** Will help this strategy as each day to expiry erodes the value of the call option.

**Margins:** Yes, margins are payable on this type of option strategy.

Account Type 4 also includes Account Type 1, 2 and 3 strategies.

## 8.5 Account Type 5

**Naked / uncovered positions** – These accounts are permitted to trade any strategy and, as such, should be used by experienced options clients or clients receiving a full advice service.

Clients who trade naked positions can be exposed to unlimited loss on both the up and down side of the market. Margins are payable on naked positions and can be unlimited. Exposure to increases in volatility can lead to larger margins over time without any movement in the underlying share price over that period. Your account may incur margin calls above those required by the Clearing House, at the discretion of MEL.

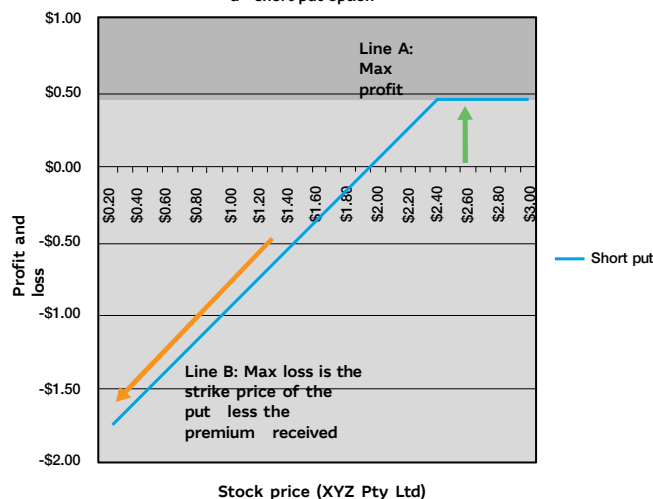
Accounts with positions that generate excessive exposures may be reviewed and protective trades may be requested by MEL to ensure the account keeps within appropriate risk measures.

**Example one: Short put**

**Outlook:** Bullish.

**Construction:** Sell one put option.

**Pay off profile:** Options pay off profile for a short put option



**Maximum profit:** This is the net premium received from opening the strategy and is shown by Line A on the options pay off profile for a sold put option diagram.

**Maximum loss:** This is the strike price of the put option minus the premium received for selling the put option. This is shown by Line B on the options pay off profile for a sold put option diagram.

**Volatility:** Increases in volatility will increase the value of the put option and will increase the cost to buy back to close or to roll the put option. Increases in volatility will hurt this position.

**Time decay:** As time decay erodes the value of the put position, it will help this strategy.

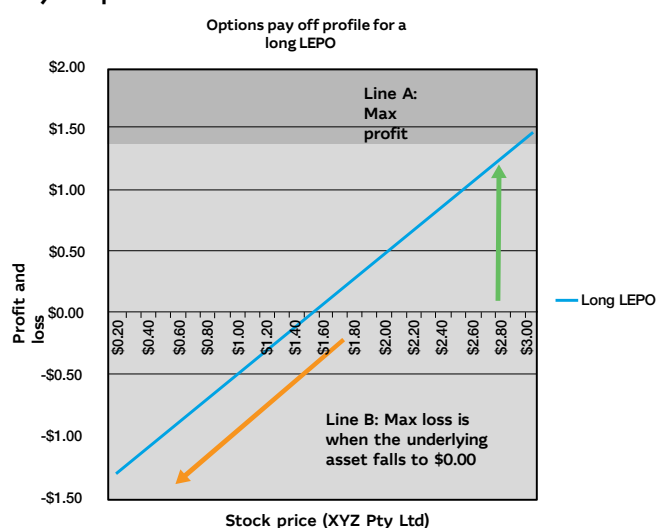
**Margins:** Yes, margins are payable on this type of strategy.

**Example two: Long LEPO**

**Outlook:** Bullish.

**Construction:** Buy one LEPO.

**Pay off profile:** Options pay off profile for a long LEPO



**Maximum profit:** The profit of the long LEPO position increases as the price of the underlying share increases. This is shown on the options pay off profile for a long LEPO diagram as Line A.

**Maximum loss:** The original premium price that the LEPO is bought for less the current underlying share price. This is shown as Line B on the options pay off profile for a long LEPO diagram.

**Volatility and time decay:** LEPOs will generally trade near to or at intrinsic value (depending on dividends due and other market factors) so volatility and time decay may not affect the value of the LEPO.





**Margins:** Yes, margins are payable for LEPO by both the buyer (taker) and seller (writer).

Account Type 5 also includes Account Type 1, 2, 3 and 4 strategies.

## 8.6 Summary of ETO strategies

The pay off diagram, or pay off profiles included in the table below are visual representations of the possible profit or loss of an options strategy at the time of expiry. Investors can use the pay off profile to evaluate how a strategy may perform over a range of prices, thereby gaining an understanding of potential outcomes. Investors are able to quickly evaluate risk and reward of a strategy through this visual diagram.

Options strategies summary with account type								
Strategy	Construction	Pay off profile	Outlook	Maximum loss	Maximum profit	Increase in volatility	Time decay	Account type
Long call	Buy one call		Bullish	Premium outlaid	Unlimited and undefined	Helps	Hurts	1
Long put	Buy one put		Bearish	Premium outlaid	Limited to the strike price of the put less the premium outlaid	Helps	Hurts	1
Straddle Buy	Buy one call and one put at the same strike		Increase volatility in either direction	Premium outlaid	Unlimited and undefined	Helps	Hurts	1
Buy/write a call	Buy 100 shares and sell a call		Increase volatility in either direction	Premium outlaid	Unlimited and undefined	Helps	Hurts	1
Protected buy-write or covered call	Covered call with bought out-of-the-money put protection		Neutral to slightly bullish	Value of the underlying share	Limited to premium received plus any capital gain	Hurts	Helps	2
Bear put spread	Buy one call at a lower strike and sell one call at a higher strike		Neutral	Holding the underlying share and capped to the strike of the put	Limited to net premium received	No impact	Depends on the underlying share price	2
Bear put spread	Buy one put at a higher strike and sell one put at a lower strike		Bullish	Premium outlaid	Limited to the spread less capital outlaid	No impact	Depends on the underlying share price	3
Bear put spread	Buy one put at a higher strike and sell one put at a lower strike		Bearish	Premium outlaid	Limited to the spread less premium outlaid	No impact	Depends on the underlying share price	3
Bull put spread	Buy one put at a lower strike and sell one put at a higher strike		Bullish	Limited to the cost of the spread	Limited to the premium received	No impact	Depends on the underlying share price	3
Bear call spread	Buy one call at a higher strike and sell one call at a lower strike		Bearish	Limited to the cost of the spread	Limited to the premium received	No impact	Depends on the underlying share price	3
Short strangle or straddle with protection	Opening a short straddle or strangle and buying an out-of-the-money call and put as protection on the wings		Neutral	Limited to the cost of the spread	Limited to premium received	Hurts	Helps	3
Calendar spreads	Sell a near dated call and buy a long dated call at the same strike	Depends on the expiry dated	Neutral to bullish	Limited to the cost of the spread	Limited to the difference in value between the two calls	Helps	Tries to take advantage of differing rates of time decay	3
Short index volatility	Sell one index call or put covered by collateral or cash	Depends on strategy	Depends on strategy	Unlimited and undefined	Limited to premium received	Hurts	Helps	4
Short uncovered put	Sell one call with limited collateral or cash cover		Bearish	Unlimited and undefined	Limited to premium received	Hurts	Helps	5
Short uncovered put	Sell one call with limited collateral or cash cover		Bullish	Strike price less premium received	Limited to premium received	Hurts	Helps	5

Options strategies summary with account type								
Strategy	Construction	Pay off profile	Outlook	Maximum loss	Maximum profit	Increase in volatility	Time decay	Account type
Short uncovered straddle	Sell one call and one put at the same strike		Neutral	Unlimited and undefined	Limited to premium received	Hurts	Helps	5
Short uncovered straddle	Sell one call and one put. The put at a lower strike price than the call		Neutral	Unlimited and undefined	Limited to premium received	Hurts	Helps	5
Synthetic short	Buy one put and sell one call at the same strike with no collateral		Bearish	Unlimited and undefined	Limited to the strike price of the put plus/less the net premium received/outlaid	Helps	Hurts	5
Sold LEPO	Sell one LEPO		Bearish	Unlimited and undefined	The premium the LEPO is sold for less the close out premium	May not affect the value of the LEPO	May not affect the value of the LEPO	5

**Disclaimer:** This option strategies summary is not a complete list of all options strategies available to investors. It is also possible to construct strategies in different methods to those described in the table. You can discuss the construction of any option strategy with your adviser.

## 9. Fees and costs associated with ETOs

### 9.1 Premium

If you are the buyer (taker) of an equity or index 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 equity or index 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 a Domestic ETO contract, refer to the ASX website ([asx.com.au](http://asx.com.au)), which also includes an options calculator.

For further information on the premium in respect of a US ETO contract, refer to 'What is an Option?' and 'Options Pricing' on the Options Industry Council website.

### 9.2 Margin and collateral

If you are the seller (writer) of an ETO contract, you will be required to provide margin, and in certain circumstances collateral, to the Clearing Participant and Clearing Firm in accordance with the terms of your agreement with us.

Your margin and collateral obligations are discussed in section 5 above. For further detailed information on domestic margin and collateral requirements, refer to the ASX website ([asx.com.au](http://asx.com.au)).

For US ETOs, please refer to section 5.2.5 website references to the most common US exchanges. For further information on margin and collateral requirements for US ETOs on the relevant exchange, please speak to your adviser.

### 9.3 Broker additional margin requirements

Details of any further margin requirements that we may request are discussed in section 5.2.

### 9.4 Our fees and charges

The details of our fees and charges are provided in Part 2 of this IM.

### 9.5 Financial Advice Fees.

Fees and charges that relate to financial advice will be agreed to and charged separately.

## 10. How we handle complaints

We are committed to providing you with a premium service. If you're unhappy with our service, we would like you to tell us about it.

If you have a complaint about the service provided to you, you should contact your adviser or our Client Service Centre on 1800 899 485 in the first instance, and if you are not satisfied with our handling of a matter, you may lodge a complaint with the Australian Financial Complaints Authority, or AFCA.

For further details on how to provide feedback and complaints, how we handle complaints, and your right to escalate to AFCA, you should refer to the Macquarie Equities Financial Services Guide available on our website [macquarie.com.au/advisers/financialservices-guide](http://macquarie.com.au/advisers/financialservices-guide).

## 11. Taxation treatment of ETOs

### 11.1 Tax treatment

Please note that MEL does not provide tax advice to investors. Given the complex and changeable nature of Australian and international tax and social security systems, and the fact that different investors have different tax and social security circumstances, we recommend you seek professional tax and social security advice prior to investing.

Certain investors that trade in ETOs may be affected by the Taxation of Financial Arrangements rules (TOFA). TOFA is particularly complex and affects the way in which gains and losses arising from financial arrangements are taxed.

### 11.2 Goods and Services Tax

The purchase and disposal by investors of ETOs over financial products and indices is not subject to Goods and Services Tax (GST).

For Domestic ETO trading, GST (where applicable) will be charged on all brokerage and fees. US ETO trading generally does not incur GST on brokerage or fees.

### 11.3 Collection of your Tax File Number (TFN), Australian Business Number (ABN) or exemption

The collection of your TFN is authorised, and its use and disclosure strictly regulated by tax laws and the Privacy Act 1988 (Cth). You do not have to provide your TFN, and declining to do so is not an offence. If you do not quote your TFN (including all TFNs for joint accounts), ABN or provide an exemption reason, tax may be withheld from any applicable income received in respect of your account at the highest marginal tax rate (plus Medicare levy) before it is paid to you.

You may quote your entity's ABN as an alternative to its TFN if you are opening this account for purposes related to that entity's business. An Australian Company Number (ACN) cannot be quoted in lieu of a TFN or ABN. If only an ACN is provided, we will deduct withholding tax at the top marginal rate plus Medicare levy.

For more information about the use of TFNs, please contact the Australian Taxation Office (ATO).

## 11.4 Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (**FATCA**) is the US tax legislation that assists the US Internal Revenue Service (**IRS**) to identify and collect tax from US citizens or US residents for tax purposes that invest in certain financial accounts through non-US entities. If you are a US citizen or US resident for tax purposes, you should note that MEL is a 'Foreign Financial Institution' under FATCA. MEL complies with its FATCA obligations, as determined by either the FATCA regulations or any inter-governmental agreement (**IGA**) entered into by Australia and the US for the purposes of implementing FATCA and any Australian laws and regulations relating to the IGA. Under these obligations, MEL will have to obtain and disclose information about certain investors to the Australian Tax Office (**ATO**) or IRS. In order for MEL to comply with its obligations, we will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (if applicable).

## 11.5 Common Reporting Standard

The Common Reporting Standard (**CRS**) is the standard set by the Organisation for Economic Co-operation and Development (**OECD**) for the automatic exchange of information with revenue authorities for foreign tax residents that invest in certain financial accounts. The standard covers both the identification of foreign tax residents and reporting on the applicable financial accounts.

If you are not an Australian resident for tax purposes, you should note that MEL is a 'Reporting Financial Institution' under CRS. MEL intends to comply with its CRS obligations, as determined by the OECD for the purposes of implementing CRS and any Australian laws and regulations relating to the standard. Under these obligations, MEL will have to obtain and disclose information about certain investors to the ATO or other foreign tax authorities. In order for MEL to comply with its obligations, we will also request that you provide certain information about yourself, including your country of tax residence and your relevant taxpayer identification number (if applicable).

## Part 2: Schedule of fees

Date of Issue: November 2023

This Information Memorandum comprises three parts.

This document forms part of the IM and should be read in conjunction with the rest of the IM. All dollar amounts are in Australian dollars unless specified otherwise.

Product	Type of fee	Fee details												
Domestic ETOs	Domestic ETO brokerage fee	Minimum of 1.10% of premium value or \$137.50 (including GST where applicable) whichever is greater, and a maximum of 2.75%. However, for a premium value of up to \$20,000, we may charge up to \$550*. *We may charge a lower fee than the rate disclosed here, which will be disclosed to you by your adviser.												
	Margin requirements	Margining is discussed in section 5.2 in Part 1 of this IM.												
	ASX Clear fees	<p>The ASX charges fees for registering ETOs and exercising contracts.</p> <p>The below examples are based on fees as of the date of this IM, please refer to <a href="http://www.asx.com.au">www.asx.com.au</a> for the latest fees.</p> <p>ASX Clear charges a registration fee based on a tiered fee model. The fee charged will be determined by the category the underlying stock is assigned to.</p> <table border="1"> <thead> <tr> <th>Fee Category</th> <th>(\$per contract inclusive of GST, where applicable)</th> </tr> </thead> <tbody> <tr> <td>ETO Single Stock 1</td> <td>\$0.066</td> </tr> <tr> <td>ETO Single Stock 2</td> <td>\$0.11</td> </tr> <tr> <td>ETO Single Stock 3</td> <td>\$0.143</td> </tr> <tr> <td>ETO Single Stock 4</td> <td>\$0.231</td> </tr> <tr> <td>ETO Single Stock 5</td> <td>\$0.341</td> </tr> </tbody> </table> <p>* Registrations in option contracts with a premium of 1 cent or less will attract a \$0 registration fee</p> <p>To check which fee category the underlying stock belongs to, please refer to the ASX website: <a href="http://www.asx.com.au">www.asx.com.au</a> or speak to your adviser.</p> <p>If you exercise an ETO or get assigned an ETO, ASX Clear charges an exercise fee of \$0.055 per contract, including GST. In the case of index options, ASX Clear charges \$0.495 per contract including GST for the registration fee, and \$0.385 per contract including GST for the exercise fee.</p>	Fee Category	(\$per contract inclusive of GST, where applicable)	ETO Single Stock 1	\$0.066	ETO Single Stock 2	\$0.11	ETO Single Stock 3	\$0.143	ETO Single Stock 4	\$0.231	ETO Single Stock 5	\$0.341
Fee Category	(\$per contract inclusive of GST, where applicable)													
ETO Single Stock 1	\$0.066													
ETO Single Stock 2	\$0.11													
ETO Single Stock 3	\$0.143													
ETO Single Stock 4	\$0.231													
ETO Single Stock 5	\$0.341													
	Interest charges	Any interest incurred or negative interest levied by ASX Clear on your funds will be passed on to you. MEL may charge a reasonable administration fee of up to 2% for passing this interest on to you. This may result in a negative return on your funds												
	Example	<p>Here is an example of the costs for a Domestic ETO trade for stock belonging to the ETO Single Stock 3 Fee Category.</p> <p>Trade: Buy 20 ABC March \$50 call options at \$1</p> <p>Premium: 20 contracts (2,000 shares) x \$1 = \$2,000</p> <p>Brokerage: \$137.50 (including GST)</p> <p>ASX Clear fees: 20 x \$0.143 = \$2.86 (including GST) Total: \$2,140.36 (including GST)</p> <p>All fees and charges will be disclosed on your confirmation.</p>												

## Exchange Traded Options IM

### Macquarie Equities Limited

Product	Type of fee	Fee details
US ETOs	US ETO brokerage fee	Brokerage for trading US ETOs through your adviser is subject to a minimum of \$US165.00** plus \$US0.50 per contract. All brokerage charges are shown on your trade confirmations. ** We may charge a lower fee if you choose to trade your US ETOs through the online client portal, which will be disclosed to you by your adviser.
	US exchange fees	An Options Regulatory Fee ( <b>ORF</b> ) is charged by the Market Operator of the relevant exchange. The total ORF charged will be reported for each applicable transaction in the transaction fees section of your trade confirmation, and is in addition to your brokerage charge. For details of the fees charged by US exchanges, refer to the website of the relevant exchange, listed in section 5.2.5 of this IM.
	Annual account keeping fee	\$160* (or USD equivalent) per annum per account. *We may charge a lower fee than the normal rate, which will be disclosed to you by your adviser.
	Third party Clearing Firm fees	Fees in relation to holding foreign Securities in custody and the hard copy delivery of account documentation are payable to our third party Clearing Firm. These are in addition to any other charges payable and will be charged to your international account in US dollars.
	Example	Here is an example of the costs for a typical US ETO trade: Trade: 25 contracts on the Chicago Board Options Exchange ( <b>CBOE</b> ) Premium: 25 contracts (2,500 shares) x \$US1 = \$US2,500 Brokerage: \$US165 + \$US0.50 x 25 = \$US177.50 ORF fee for CBOE: \$US0.20 Total: \$US2,677.70

Note: All fees are GST inclusive (where applicable) unless otherwise specified. The purchase and disposal of ETOs over shares and the share price index by investors is not subject to GST. Some fees that we charge may be tax deductible. You must confirm this with your own registered tax agent or accountant, in relation to your specific situation.

# How to start trading ETOs and Warrants with Macquarie

Before you can start trading Domestic ETOs and/or Warrants, you must ensure that you have undertaken all of the steps in section 3.6 of Part 1 of this IM.

If you have any questions in relation to the Domestic ETO Terms or the International ETO Terms, please contact your adviser or contact us at [macquariewealth@macquarie.com](mailto:macquariewealth@macquarie.com).

Please keep copies of the IM, the Domestic ETO Terms and the International ETO Terms (if applicable) for your future reference.

## Part 3: Application Booklet

# Domestic Exchange Traded Options (ETOs) and Warrants Trading Agreement

Your completion of the Application Form, Macquarie's acceptance of your application and your use of Macquarie to buy or sell ETOs and/or Warrants will be taken to be your agreement to be bound by this Agreement. Please read the IM and all of the information contained in this Application Booklet carefully and retain a copy for your future reference.

### THE PARTIES AGREE:

## 1. Definition and interpretation

### 1.1 Definitions

In this Agreement:

**"Account"** means an Options and/or Warrant trading account established on behalf of the Client;

**"Agreement"** means this Domestic ETOs and Warrants Trading Agreement, as well as any Client Clearing Agreement (where the context so requires), as updated from time to time, and any confirmation and all other documents entered into by the Client and Macquarie in connection with either of them. For the avoidance of doubt, any additional or different terms stipulated by the Client or set out in any communication from the Client will not be effective or binding upon Macquarie unless agreed by Macquarie in writing;

**"AML/CTF Laws"** means the *Anti-Money Laundering and Counter Terrorism Financing Act 2006 and the Anti-Money Laundering and Counter Terrorism Financing Rules 2007 (No.1)* and other subordinate instruments, as amended from time to time;

**"Application Form"** means the Domestic ETOs and Warrants application form which is contained in this Application Booklet;

**"Approved Clearing Facility"** means a clearing and settlement facility approved by the ASX and specified as such in the ASX procedures;

**"Approved Exchange"** means an exchange or other market in respect of which ASX Clear has arranged or agreed to clear Contracts;

**"ASIC"** means Australian Securities and Investments Commission;

**"ASIC Market Integrity Rules"** means the ASIC Market Integrity Rules, as amended from time to time and available on ASIC's website;

**"ASX"** means the Australian Securities Exchange Limited (ABN 98 008 624 691);

**"ASX Clear"** means ASX Clear Pty Limited (ABN 48 001 314 503);

**"ASX Clear Operating Rules"** means the operating rules of ASX Clear, as amended from time to time and available on the ASX website at [asx.com.au](http://asx.com.au);

**"ASX Markets"** means the options and warrants markets conducted and administered by the ASX in accordance with:

- (a) the Operating Rules and the articles of association of the ASX and related bodies corporate; and
- (b) the customs, usage and practices of the ASX and related bodies corporate;

**“ASX Operating Rules”** means the rules governing the operation of the ASX, as amended from time to time and available on the ASX website at [asx.com.au](http://asx.com.au);

**“ASX Settlement”** means ASX Settlement Pty Ltd (ABN 49 008 504 532) and its agents appointed under the ASX Settlement Rules;

**“ASX Settlement Operating Rules”** means the settlement rules of ASX Settlement, as amended from time to time;

**“ASX Trade”** means the ASX Trade trading platform operated by the ASX;

**“Australian dollars”** means the lawful currency of Australia;

**“Authorised Representative”** means any person authorised in writing by the Client (either in the Application Form or otherwise by written notice provided to Macquarie) to operate, or provide instructions in relation to, the Account on behalf of the Client;

**“Business Day”** a day other than a Saturday, Sunday, New Year’s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day;

**“CHES”** means the Clearing House Electronic Subregister System;

**“CHES Holding”** means a holding of securities on the CHES subregister;

**“Clearing Participant”** means a person admitted by the ASX Clear as a Clearing Participant in accordance with the ASX Clear Operating Rules;

**“Client”, “you” or “your”** means the person for whom Macquarie establishes an Account and includes, where the context permits, any Authorised Representative acting as agent for that person. If more than one person establishes an Account, “Client”, “you” or “your” means each of those persons separately and every two or more of them jointly and includes the relevant successors and assigns. In the case of a partnership, a reference to you, includes the partnership and each individual partner;

**“Client Clearing Agreement”** means an agreement between a Clearing Participant and a client of the Market Participant, entered into under the relevant Rules;

**“Client’s Clearing Account”** means an account with ASX Clear opened in the name of Macquarie in respect of the Client where Contracts cleared by Macquarie are registered;

**“Close-Out”** means, in relation to a Contract, the act of entering into arrangements to reverse the effect of that Contract including, without limitation, the entry into an opposite Contract;

**“Contract”** means an Option or Warrant contract entered into on the ASX Markets or on an Approved Exchange as the context so requires;

**“Corporations Act”** means the *Corporations Act 2001* (Cth);

**“Effective Date”** means the date referred to in a Participant Change Notice on which the novation of a Client Clearing Agreement is deemed to have occurred;

**“GST”** means a goods and services tax or similar tax imposed in Australia by the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition Acts;

**“LEPOs”** means Low Exercise Price Options;

**“Linked Settlement Account”** means the settlement account linked to your Account as Macquarie may approve from time to time;

**“Macquarie”, “our”, “us” or “we”** means, Macquarie Equities, Limited (ABN 41 002 574 923);

**“Macquarie Group”** means Macquarie Group Limited and its related bodies corporate;

**“Macquarie Group Limited”** means Macquarie Group Limited (ABN 94 122 169 279);

**“Macquarie Share Trading Terms”** means the ‘terms and conditions’ applicable to a Client’s domestic share trading account with Macquarie Equities including the terms of any third party clearing and settlement participant appointed by Macquarie and as amended from time to time;

“**Margin**” means cash or securities lodged by the Client with either ASX Clear or Macquarie, or other security that Macquarie considers, in its absolute discretion, appropriate as security for the contingent obligations of the Client which arise from dealing in Contracts;

“**MBL**” means Macquarie Bank Limited (ABN 46 008 583 542);

“**MIML**” means Macquarie Investment Management Limited (ABN 66 002 867 003);

“**Normal Trading Hours**” means 9.50am to 4.30pm (Sydney Time) on a Trading Day;

“**Operating Rules**” means the operating rules of the ASX, ASX Clear and related bodies corporate;

“**Options**” has the same meaning as ‘Options Market Contract’ in the ASX Clear Operating Rules. For the avoidance of doubt includes ETOs and LEPOs;

“**Participant**” means a person admitted by ASX Clear as a participant under ASX Clear Operating Rule 3.1;

“**Participant Change Notice**” means a notice sent to the Client in accordance with the ASX Clear Operating Rules, setting out details of a proposed change of Participant and other relevant information about the reasons for the proposed change and the costs (if any) to the Client of the proposed change;

“**Personal Information**” has the meaning given to that term in the *Privacy Act 1988* (Cth);

“**Procedures**” means any document, electronic file or other information (recorded by any mode of representing words or reproducing words) approved by the ASX or ASX Clear and circulated where applicable to Macquarie in accordance with the ASX Operating Rules and, without limitation, includes any guidance note, practice note, explanatory memoranda or other information issued by the ASX or ASX Clear to Macquarie from time to time;

“**Rules**” means the rules, regulations, customs, usages and practices of ASIC, the ASX, ASX Clear, ASX Settlement or any other Approved Exchange, including, without limitation, the Corporations Act, the ASIC Market Integrity Rules, ASX Clear Operating Rules, ASX Settlement Rules, ASX Operating Rules, ASX Listing Rules and any other relevant laws and regulations, as issued and/or amended from time to time;

“**Trading Day**” has the same meaning as given to that term in the ASIC Market Integrity Rules;

“**Transaction**” means, in respect of a Contract, a securities transaction which results from the exercise of the Contract;

“**Warrant**” has the same meaning as given to that term in the ASIC Market Integrity Rules; and

“**Wholesale Client**” has the meaning set out in section 761G of the Corporations Act as amended from time to time.

## 1.2 Interpretation

(a) In this Agreement unless the context indicates a contrary intention:

- (i) a reference to this Agreement or to any deed, agreement, document or instrument includes respectively this Agreement or that deed, agreement, document or instrument as amended, novated, supplemented, varied or replaced from time to time;
- (ii) a reference to any statute, rule or other law, or to any sections or provisions thereof includes any statutory modification or re-enactment or any statutory provision substituted therefore and all ordinances, by-laws, regulations and other statutory documents issued thereunder;
- (iii) the singular includes the plural and vice versa;
- (iv) the word ‘person’ includes a partnership, joint venture, association, trustee, corporation or other body corporate, an unincorporated association and a statutory or governmental authority;
- (v) a reference to any party includes a reference to that party’s executors, administrators, successors, substitutes and permitted assigns and any person taking by way of novation;
- (vi) a reference to any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of persons is a reference to any one or more of them;
- (vii) where any word or phrase is given a defined meaning, any other part of speech or other grammatical form in respect of the word or phrase has a corresponding meaning;
- (viii) headings are inserted for convenience only and do not affect the interpretation of this Agreement; and
- (ix) a reference to a clause or a schedule is, unless the context otherwise indicates, a reference to a clause or a schedule in this Agreement.

- (b) If any term or part of this Agreement is invalid or not enforceable in accordance with its terms, all other terms or parts which are self-sustaining and capable of separate enforcement without regard to the invalid or unenforceable term or part will be and continue to be valid and enforceable in accordance with its terms.

## 2. Application of Rules

- (a) You and Macquarie agree and acknowledge that:
- (i) this Agreement governs all Contracts and dealings executed on your Account by Macquarie; and
  - (ii) the terms of our relationship are subject to the Rules, the Procedures, customs, usages and practices of ASIC, the ASX, or other relevant Approved Exchange and each of their related bodies corporate, as amended from time to time, in so far as they apply to Contracts traded on the ASX or other relevant Approved Exchange.
- (b) Unless otherwise defined or specified in this Agreement, words and expressions defined in the Rules, Procedures, appendices and schedules have the same meaning as in this Agreement. In the event of any inconsistency, the definitions in this Agreement prevail with respect to your Account.

## 3. Macquarie Share Trading Terms

You agree and acknowledge that:

- (a) you have read, and agree to be bound by the Macquarie Share Trading Terms;
- (b) the Macquarie Share Trading Terms are in addition to the terms and conditions of this Agreement and are also binding on you; and
- (c) to the extent of any inconsistency, the terms and conditions of this Agreement will prevail over the Macquarie Share Trading Terms.

## 4. Risks and financial objectives

- (a) You acknowledge that dealing in derivatives such as Options and/or Warrants incurs a risk of significant loss as well as a potential for profit; and
- (b) You confirm that you have had the opportunity to seek appropriate financial product advice and have given consideration to your objectives, financial situation and needs and formed the opinion that dealing in Options and/or Warrants is suitable for your purposes.

## 5. Discretions

- (a) Macquarie will act reasonably and in good faith when exercising any discretion under this Agreement or the Rules.
- (b) You and any Authorised Representative may instruct Macquarie to deal in Contracts.
- (c) Macquarie Equities may choose not to accept an instruction from you where:
  - (i) your instructions are not clear or complete; or relate to a service not covered by this Agreement;
  - (ii) your instructions do not meet or comply with all requirements under the Rules or this Agreement;
  - (iii) in the case of Warrants, the original instruction is more than one (1) calendar month old;
  - (iv) you do not have sufficient securities (which are the subject of your sale instruction) or funds in your Account, Linked Settlement Account or the share trading accounts linked to your Account to settle the transaction in your instruction, or you have amounts owing on your Account or any linked share trading account;
  - (v) trading in the relevant Option and/or Warrant per your instruction has been suspended or halted for any reason whatsoever and you have not reconfirmed instructions or resubmitted the order;
  - (vi) the cash market clearing and settlement participant appointed by Macquarie has been terminated or suspended by ASX Clear (for example, where that participant has become insolvent);

- (vii) in our reasonable opinion, placement of your order or execution of your instruction is likely to:
  - (A) contribute to a breach of the Rules or any conditions imposed on Macquarie by ASX or ASX Clear, applicable laws or other applicable legal or regulatory requirement;
  - (B) be inappropriate, unethical or likely to negatively impact on Macquarie's reputation and integrity within the market;
  - (C) create a disorderly market in Options and/or Warrants;
  - (D) be outside the scope of your Authorised Representative or adviser's authority;
  - (E) exceed a trading limit;
  - (F) exceed a margin limit; or
- (viii) we determine it is reasonably necessary to protect our legitimate business interests.
- d) You agree that Macquarie is not liable for any financial consequence or inconvenience arising from circumstances where:
  - (i) Macquarie acts in accordance with its rights under this Agreement or the Rules to cancel a transaction or refuses to accept an instruction from you, or where ASIC or the ASX uses its power to amend or cancel a transaction. or;
  - (ii) Macquarie closes out a Contract or refuses to accept instructions or takes or refrains from taking any other action reasonably necessary to comply with any conditions imposed by ASX or ASX Clear from time to time.
- e) Due to the nature of Macquarie Group's business trading, advice and research, restrictions may be imposed on members of the Macquarie Group due to statutory requirements and internal policies. As a related body corporate we may be subject to these restrictions from time to time. In addition, from time to time if you receive financial advice from a Macquarie Group adviser that adviser may be limited or restricted in the services that they are able to provide to you in relation to an investment that is impacted by such restrictions.

## 6. Your commitment

### 6.1 Authority

You acknowledge that you are either:

- (a) acting as principal; or
- (b) acting as an intermediary on another's behalf and are specifically authorised to transact Contracts by the terms of:
  - (i) a trust deed (if you are a trustee); or
  - (ii) an agency contract that has been disclosed and agreed to in writing by Macquarie.

You and any Authorised Representative may instruct Macquarie to deal in Contracts.

### 6.2 Representations

You warrant and represent, at the date of this Agreement and at each time of entry by you into any Contract:

- (a) (if a body corporate) you:
  - (i) are duly incorporated and validly existing under the laws of the jurisdiction of your incorporation; and
  - (ii) you will provide upon request a guarantee from all or any one of your directors, in such a form as we may reasonably require relating to your obligations under these arrangements;
- (b) (if you are a trustee) you:
  - (i) have full power and authority to enter into the Contracts and arrangements contemplated by this Agreement and to exercise the rights and perform the obligations under this Agreement;
  - (ii) acknowledge that you are bound in your capacity as trustee and personally;
- (c) until otherwise specified in writing, all persons constituting the Client agree that Macquarie may act on the instructions of any one of the persons or their Authorised Representative without the necessity to refer to or notify any other person in connection with those instructions;
- (d) you have the power to execute and deliver and to perform your obligations under this Agreement;
- (e) this Agreement constitutes valid and binding obligations on you, enforceable in accordance with its terms;
- (f) the execution, delivery and performance of this Agreement does not violate any existing law or regulation or any document or agreement to which you are a party or which is binding on you or any of your assets;
- (g) all authorisations required in order for you to conduct your activities and relevant to the execution, delivery, performance, validity or enforceability of this Agreement have been obtained or effected and are in full force and effect;

- (h) you are solvent, and at all times during your dealings with Macquarie Equities you will be, in a position to meet all commitments (financial and otherwise) on your part relating to your Account;
- (i) you, and any Authorised Representative, are over the age of 18 years;
- (j) any information that you provide to us is true and correct; and
- (k) you are a Wholesale Client and you will notify Macquarie immediately if you cease to be a Wholesale Client.

### 6.3 Client to provide information

- (a) You agree that you will take all reasonable steps to deliver information or documentation to us, or cause information or documentation to be delivered to us concerning Contracts which are requested by a person having a right to request such information or documentation. You authorise us to produce the information or documentation to the person making the request.
- (b) You will provide all supporting documentation required to evidence your status as a Wholesale Client upon your initial application and thereafter, at our reasonable request.
- (c) You agree and acknowledge that:
  - (i) you will ensure that the information, including personal information and contact details, you provide to Macquarie are at all times true and correct. You agree to notify us in writing with 5 days of any change to any information, previously provided in connection with your Account and Contracts you have entered pursuant to the terms of this Agreement;
  - (ii) in the event that your information is not current, we reserve the right to suspend all dealings on your Account; and
  - (iii) you will ensure that you will have a valid and functioning email address at all times during your dealings with Macquarie. You acknowledge that confirmations of executed orders will be sent electronically at the end of the Trading Day on which the transaction was executed.

### 6.4 Appointment as agent

- (a) You irrevocably appoint severally ASX Clear, and every director, manager and assistant manager for the time being of ASX Clear, at the option of ASX Clear (as applicable) to do all acts and execute all documents on the Client's behalf for the purpose of exercising the powers conferred on ASX Clear under ASX Clear Operating Rule 15; and
- (b) You acknowledge that ASX Clear has broad powers to deal with positions held by Macquarie if Macquarie commits an event of default under Clear Operating Rule 15.1. The powers of ASX Clear are set out in ASX Clear Operating Rule 15.2.

### 6.5 Fees and charges

You must pay fees, charges and taxes, including any applicable GST in connection with dealings in Contracts for you at the rates set out in Part 2 of the Information Memorandum.

### 6.6 Cancellations

You acknowledge and agree that:

- (a) the ASX is entitled under the ASX Operating Rules to require Macquarie to cancel or amend a dealing or an order. Where the ASX instructs that we cancel, amend or Close-Out a dealing or order, we will act on those instructions;
- (b) Macquarie may cancel, purge or amend any transaction executed via ASX where it reasonably believes that the transaction has been executed in error, breaches the Rules or that the transaction interferes with the integrity or orderly nature of the market in any way.

## 7. Client funds and property

- (a) Macquarie must deal with money and property paid or given to us in connection with this Agreement in accordance with the Corporations Act and the Rules.
- (b) Where required Macquarie will pay money that we have received for you and our other clients into trust accounts which will be operated in the manner described in section 5.4 of Part 1 of the Information Memorandum.

## 8. Macquarie non-discretionary account policy

You acknowledge that Macquarie will not act on a discretionary basis on your Account. If you see any activity on your account which does not relate to Transactions that you or your Authorised Representative have authorised, you agree to notify us as soon as possible.

## 9. Margin, settlement obligations and termination

### 9.1 Limitation of Client's rights

You acknowledge that any benefit or right obtained by Macquarie upon registration of a Contract with ASX Clear or any other Approved Exchange by novation under the relevant Rules, or any other legal result of registration, is personal to Macquarie and the benefit of that benefit, right or legal result does not pass to you. You have no contractual rights, whether by way of subrogation or otherwise, against the ASX, ASX Clear or other relevant Approved Exchange in relation to any dealings by Macquarie (or any other Market Participant or Clearing Participant) in the Contracts.

### 9.2 Margin requirements

You agree to observe the Margin requirements established by ASX Clear or other relevant Approved Clearing Facility.

### 9.3 Security obligations

Without limiting your obligations under clause 9.2, you acknowledge that Macquarie may require the delivery of Margin by you in a form and amount (which may be in excess of the requirements established by ASX Clear) which Macquarie reasonably considers necessary or desirable to protect itself from the obligations incurred by it in respect of Contracts entered into for your Account.

### 9.4 Nature of Margin

You acknowledge and represent and warrant that:

- (a) any Margin that is lodged by you with either ASX Clear or Macquarie is and will be free from any encumbrances (unless encumbered securities are provided in a form acceptable to ASX Clear), security interests or rights of others;
- (b) you will not be entitled to the return of any Margin unless and until Macquarie has no further contingent or actual liability in existence in connection with any Contract into which you have entered; and
- (c) you are legally entitled and authorised to make securities held by you at any time in CHESS available to ASX Clear as security for Margin payable to ASX Clear.

### 9.5 Time of the essence

You acknowledge that notwithstanding the terms of the ASX Operating Rules, the time for payment of any amounts or delivery of any Margin to Macquarie, in connection with this Agreement or any Contract into which you have entered, is of the essence.

## 9.6 Payment and delivery - entry into Contract

You must pay any amount and deliver any relevant security that you are liable to pay or deliver in connection with the entry into a Contract within 24 hours of entry into the Contract, including payment of any premium and delivery of any Margin.

## 9.7 Payment and delivery - other

If a request is made for payment of any amount or delivery of any relevant security owing under this Agreement and no other time is stipulated, you are required to comply within 24 hours of that request being made.

## 9.8 Auto Exercise of a Contract

You acknowledge that any Contract entered into on your behalf which is 'in-the-money' as determined by ASX Clear, on the night of that Contract's expiry, will be exercised unless you or an Authorised Representative advises us otherwise by 4.30pm on the day of the Contract's expiry.

## 9.9 Exercise of Contracts

Except as provided for in clause 9.8, you acknowledge that you are obliged to and agree that you will, notify us by 4.30pm the day you want a Contract to be exercised

## 9.10 Exercise of a Contract by Client

You must not exercise your rights under any Contract without first providing to Macquarie or our third party clearing and settlement participant payment of the full amount or delivery of all securities which will become payable or deliverable by you under the Transaction to which the Contract relates. Macquarie is not obliged to exercise any Contract until that payment or delivery has been made.

## 9.11 Exercise a Contract against Client

In the event that a Contract is exercised against you then:

- (a) within Normal Trading Hours on the day on which you are notified by Macquarie Equities of the exercise of that Contract, you must either notify us that you intend to complete the Transaction to which the Contract relates or instruct us to take other steps to settle your obligations under the Contract, including entering into and exercising another Contract;
- (b) if you notify us under subclause (a) that you intend to complete the Transaction then you must pay all amounts payable or deliver all securities deliverable by you pursuant to the Transaction to our third party clearing and settlement agent or as otherwise directed by us at the time of notification; and
- (c) if you fail to comply with either subclause (a) or (b) above, Macquarie may take such steps as it considers appropriate or necessary in relation to the obligations incurred by it or by you and in relation to the exercise of the Contract, including without limitation, entering into and exercising another Contract on your behalf.

## 9.12 Client liability

Your liability to pay any amounts or deliver any relevant security in connection with the entry into any Contract accrues as from the time of entry into the Contract.

## 9.13 Client acknowledgment

You acknowledge that the terms of sub-clauses 9.8 to 9.12 inclusive apply, notwithstanding the terms of any of the Rules or any other term of this Agreement.

## 9.14 CHESSE holdings

You authorise the use of any securities held by you in CHESSE holdings sponsored by the clearing and settlement participant appointed by Macquarie or any other third party sponsor to be lodged with the ASX Clear or otherwise made available to ASX Clear as security for deposits or margins payable to ASX Clear in respect of the Client's Clearing Account by signing the collateral authorisation in the Application Form. If you are using securities held by a third party to be lodged with the ASX Clear or otherwise made available to ASX Clear as security for deposits or margins payable to ASX Clear in respect of the Client's Clearing Account, that third party must sign a separate Macquarie Registered Holder Collateral Cover Authorisation Form.

## 9.15 Credit

- (a) You acknowledge that Macquarie will not extend you credit for any reason whatsoever; and
- (b) Any interest accrued or negative interest levied by ASX Clear on your funds will be passed on to you. Macquarie may charge a reasonable administration fee of up to 2 percent for passing this on to you. This may result in a negative return on your funds.

# 10. Failure to settle and Close-Out generally

You are liable for any losses, costs and expenses incurred by Macquarie as a result of your failure to provide payment in full in respect of either purchases by the due settlement date or Margin or other settlement obligations. However, Macquarie remains liable for any losses, costs and expenses caused by its own neglect or default.

## 10.1 Close-Out of Contracts and default

If:

- (a) you fail to pay any money or deliver any relevant security payable or deliverable to Macquarie on or before the due time for payment or delivery;
- (b) you fail to perform any obligations arising pursuant to the exercise or settlement of a Contract;
- (c) you become insolvent, or a manager, receiver, receiver and manager, controller, administrator, or similar officer is appointed;
- (d) you:
  - (i) die;
  - (ii) are declared incompetent and after reasonable enquiry Macquarie has no knowledge of any person legally authorised to enter into or complete Contracts and Transactions on your behalf; or
  - (iii) become bankrupt, assign your estate for the benefit of creditors or are generally unable to meet your debts as and when they fall due;
- (e) there are reasonable grounds for believing you will not honour your obligations under this Agreement or in respect of any Contract into which you have entered including but not limited to exceeding the margin limit set by Macquarie whether or not this occurs due to your own actions or the insolvency, termination or suspension of your Sponsoring Participant;
- (f) there has been a significant movement in either the value of any Contract entered into by you or securities prices generally, which results in you being close to exceeding or exceeding the margin limit set by Macquarie;
- (g) any representation made or taken to be made by you is untrue at the time it was made or taken to be made;
- (h) any guarantee or other security provided by you to Macquarie is withdrawn or becomes ineffective; or
- (i) any clearing and settlement participant appointed by Macquarie to clear and settle a purchase or sale of the underlying shares in relation to any Contract has been terminated or suspended by ASX Clear (for example, where that participant has become insolvent),

then Macquarie may, in addition to any other rights which it may have against you, take any action, or refrain from taking action, which it considers reasonable in the circumstances to protect its legitimate interests in connection with any Contract registered in the Client's Clearing Account (including without limitation, Contracts arising from transactions) and without limitation, Macquarie may:

1. Close-Out, discharge or terminate any or all of your Contracts including, without limitation, Macquarie may designate a termination date for the purposes of clause 10.2 of this Agreement and notify you of that date;
2. exercise one or more Contracts in accordance with the Rules; or

3. exercise any other rights conferred by the Rules, the operating rules of the relevant Approved Exchange or this Agreement or perform any other obligations arising under the Rules, the operating rules of the relevant Approved Exchange or this Agreement in respect of those Contracts;  
in which case, you must account to Macquarie as if those actions were taken on your instructions and, without limitation, you are liable for any deficiency and you are entitled to any surplus which may result.

## 10.2 Consequences of Close-Out

- (a) Following Close-Out of any Contracts, Macquarie will calculate the amount (if any) due to be paid by you to Macquarie or by Macquarie to you (as the case may be) in connection with those Closed-Out Contracts and notify you of that amount. The amount calculated and notified to you by Macquarie will be immediately due and payable by the relevant party to the other party.
- (b) If Macquarie has designated a termination date with respect to any or all of the Contracts in accordance with clause 10.1 (**Termination Date**) then, on the Termination Date:
- (i) the obligations under this Agreement of you and Macquarie under the Contracts in respect of which Macquarie has designated a Termination Date are terminated and neither you nor Macquarie needs to make any further payments or deliveries to each other in respect of the terminated Contracts under this Agreement. Instead, Macquarie is to calculate the termination values with respect to the terminated obligations under the terminated Contracts in accordance with clause 10.2 (b)(ii). However, the exercise of any rights by Macquarie under this clause relates only to the obligations between you and Macquarie under this Agreement and does not affect, and is not affected by, the obligations between Macquarie and any of the ASX, a relevant Approved Exchange, ASX Clear, a relevant Approved Clearing Facility and their related bodies corporate (as applicable) in connection with any Contract;
  - (ii) as at the Termination Date, Macquarie will take an account of the value(s) and the sum of all positive values is to be netted against the sum of all negative values to produce a single, net amount denominated in a single currency (the **Close-Out Amount**) payable from one party to the other;
  - (iii) Macquarie will, promptly after making the relevant calculations, notify you of the Termination Date and the Close-Out Amount (and by which party the Close-Out Amount is payable) and such amount will be payable in accordance with Agreement. Payment of this Close-Out Amount will satisfy each party's obligation to pay each amount included in the above calculation.
- (c) If the Close-Out Amount notified to you is stated to be:
- (i) a debit (DR) amount or shortage then it is owing by you to Macquarie; and
  - (ii) a credit (CR) amount or excess then it is owing by Macquarie to you.
- (d) The Close-Out Amount will be payable:
- (i) if owing by you, within Normal Trading Hours on the first Business Day immediately following the day on which notice of such Close-Out Amount is effective; or
  - (ii) if owing by Macquarie, within Normal Trading Hours on the first Business Day immediately following the day on which all portions of the Close-Out Amount have been received by Macquarie from the ASX, other relevant Approved Exchange, ASX Clear, other relevant Approved Clearing Facility and their related bodies corporate (as applicable) or otherwise.
- (e) you irrevocably authorise Macquarie to direct your Controlling Participant to sell any securities which are held on your behalf and apply the proceeds of that sale to satisfy any obligations which you may have to Macquarie on any Account.
- (f) The rights and remedies of a party under this Agreement are:
- (i) in addition to other rights and remedies given by law independently of this Agreement; and
  - (ii) not affected by anything which might otherwise affect them at law.
- (g) A party's rights and remedies under this Agreement may be exercised even if this involves a conflict of duty or if the party has a personal interest in their exercise.

## 10.3 Set off

Except for amounts genuinely in dispute or where genuine disputes exist over the adequacy of the performance of the contract, Macquarie may set off any amount owed by you (by virtue of this Agreement, any Contract or on any other account) against:

- (a) any Margin held by either ASX Clear or Macquarie, on your behalf;
- (b) any amounts due to you by Macquarie or any of its related corporate entities;
- (c) any amounts which are held to your credit in any Macquarie bank account; or
- (d) any amounts held on your behalf by Macquarie or any of its related corporate entities, and for the purposes of this clause you authorise Macquarie to sell any securities which are held by either ASX Clear or Macquarie as Margin on the stock market of the ASX and apply the proceeds of that sale to satisfy any obligations which you may have to Macquarie on any Account.

## 10.4 Third Party Controlling Participants – Settlement of Cash Market Transactions

You irrevocably appoint and authorise Macquarie to give such instructions to your Controlling Participant as your agent in order to effect the clearing and settling of any Transaction arising from the exercise of Options or the allocation of an Exercise Notice by ASX Clear in relation to the Option.

## 10.5 Rights additional & liability

You agree that:

- (a) The rights conferred on Macquarie under this Agreement are in addition to any rights conferred under the applicable Rules;
- (b) Macquarie is not liable for any financial consequence or inconvenience arising from circumstances where:
  - (i) Macquarie acts in accordance with its rights under this Agreement or the Rules or takes or refrains from taking any other action reasonably necessary to comply with any conditions imposed by ASX or ASX Clear from time to time; or
  - (ii) ASIC or the ASX uses its power to take any action including to amend or cancel a transaction.

## 11. Trading as principal

You acknowledge that:

- (a) Macquarie and its related bodies corporate may trade on ASX Markets as principal; and
- (b) in certain circumstances where permitted under the Rules and any applicable laws, each of Macquarie and its related bodies corporate may (either acting for another client or on its own account) take an opposite position to the Client in a Contract.

### 11.1 Nature of Macquarie's obligations

Notwithstanding that Macquarie (or other market participant where Macquarie is not your executing broker) may act in accordance with your instructions, or for your benefit, you acknowledge that any Contract arising from any order submitted to the ASX or other relevant Approved Exchange, is entered into by the relevant executing broker as principal.

Upon registration of a Contract with ASX Clear in the name of Macquarie, you acknowledge that Macquarie incurs obligations to ASX Clear as principal, even though it may have entered into the Contract on your instructions.

## 12. Assigned right

You agree and acknowledge:

- (a) your rights under this Agreement may not be assigned (whether at law, in equity or otherwise) or made the subject of any encumbrance, trust or fiduciary obligation without the prior written consent of Macquarie, which consent may be withheld by Macquarie acting reasonably. Any action which purports to do any of these things without Macquarie's prior written consent is void.
- (b) Macquarie may assign or otherwise deal with its rights under this Agreement without your consent for legitimate business purposes including business reconstruction, amalgamation, sale or securitisation.
- (c) where such assignment may prejudice your rights under this Agreement, we will provide you with thirty (30) days' written notice.
- (d) Macquarie Equities may disclose to any person taking a transfer or assignment or considering taking a transfer or assignment, any relevant personal or other information or documents that person or entity reasonably requires.

## 13. Notices

Every notice or other communication of any nature whatsoever required to be given, served or made under or arising from this Agreement:

- a) must be in writing in order to be valid;
- b) will be deemed to have been duly given, served or made in relation to a party if it is delivered to the address of that party set out in this Agreement or sent by facsimile to the number notified in writing by that party to the other party from time to time; and
- c) will be deemed to be given, served or made:
  - (i) (in the case of facsimile) on receipt of a transmission report confirming successful transmission at the conclusion of the transmission;
  - (ii) (in the case of delivery by hand) on delivery provided that if any notice is given, served or made outside of normal business hours it will not be deemed to be given, served or made until the commencement of business on the next Business Day; and
  - (iii) (in the case of email), at the local time in the place of receipt of that email which then equates to the time at which that email is sent as shown on the transmission report produced by the machine from which the email is sent.

## 14. Security

- a) You represent that you will not instruct any unauthorised person to issue instructions on your Account;
- b) You acknowledge that if you become aware of any unauthorised instructions on your Account you will contact Macquarie or your adviser immediately; and
- c) You acknowledge Macquarie is entitled to rely on and you will be liable for, any order placed on your Account, that appears to have been duly authorised by you. However, Macquarie will not be entitled to rely on an order placed on your Account if:
  - (i) Macquarie's security procedures have not been satisfied;
  - (ii) you have previously advised Macquarie that there has been or you suspect unauthorised activity on your Account; or
  - (iii) the order was fraudulently given by an employee of Macquarie.

## 15. Trading procedures

- a) At the time of placing an order to deal in Options and/or Warrants, you undertake to provide us with all information we reasonably require such as any information needed to comply with the Rules and all applicable laws.
- b) You acknowledge that it is your responsibility to ensure that all details relating to instructions to deal in Options and/or Warrants are accurate at the time of placing the order, including but not limited to, the provision of your SRN or HIN, the name of the Option and/or Warrant, the volume of the Option and/or Warrant, the value of the total order and in relation to Options, the Option series, the Option exercise or strike price and the expiry period (i.e. week or month) of the Option.
- c) If you are uncertain that an order to deal in Options and/or Warrants has been received, you will contact your adviser to ascertain whether the order has been received, approved and executed prior to taking any further action in relation to the order. If you wish to cancel or amend an existing order, you will communicate that you wish to cancel or amend an existing order, rather than place a second or duplicate order with Macquarie.
- d) You acknowledge that Macquarie will use reasonable endeavours to place an order into ASX Trade as soon as possible following communication of a properly authorised order placed by you.
- e) You acknowledge that an instruction to trade in Options and/or Warrants is not deemed to be accepted until such time as it has been placed into ASX Trade. In the event that an order is rejected, for whatever reason, we will use our best endeavours to contact you.
- f) Notwithstanding any provision in this Agreement, Macquarie is not required to act in accordance with your instructions, where to do so would constitute a breach of the Rules or any of the applicable laws. As such, you must not issue instructions that will breach, or are likely to cause us to breach, any of the Rules or applicable laws, including matters relating to:
  - (i) market manipulation, wash trading or matching of orders;
  - (ii) insider trading or front running;
  - (iii) the creation of a disorderly market or otherwise prejudicing the integrity or efficiency of the market; or
  - (iv) misleading or deceptive conduct concerning dealings in Options and/or Warrants.

- g) You acknowledge that ASX Trade may match your orders with orders entered through our trading system by our other clients, and that in such cases, we may receive brokerage from both parties to the transaction.
- h) You acknowledge that certain orders may be subject to the assessment and approval by management, which may delay execution of orders.
- i) You acknowledge that Warrants and Options orders will expire at the close of Normal Trading Hours on the Business Day that they are given, if it has not been executed or cancelled upon your request prior to that time.
- j) You acknowledge that all orders given outside the Normal Trading Hours of the ASX will not be executed until commencement of the next ASX Trading Day.
- k) You acknowledge that any unfilled portion of an Option instruction that has been entered into the market will be removed from the market at 4.30pm (for index Options) and 7.00pm (for equity Options) Sydney time on that Trading Day.
- l) You acknowledge that any instruction received or accepted after the close of Normal Trading Hours will be entered into the market as a 'day only' order on the next Trading Day.
- m) You acknowledge that your order will be executed at the price available on the ASX (subject to any limit imposed by you), which may be different from the price at which the Option and/or Warrant was trading when your order was placed with Macquarie.
- n) You acknowledge that instructions placed by electronic means, including instructions to place, cancel or amend orders may experience delays being executed.
- o) You acknowledge that any bulk orders will be allocated in accordance with our standard allocation process, (which is on a pro rata basis), unless otherwise authorised by you or your Authorised Representative. You acknowledge that, in order to ensure fairness in execution, we may bulk orders on the same basis, received from several clients and that these will be allocated in accordance with our standard allocation process.
- p) You acknowledge that Macquarie will use reasonable endeavours to effect instructions to buy/sell, amend or cancel an order as quickly as possible. However, you acknowledge that there may be delays in processing an instruction, amendment or cancellation, and as such, an order may be wholly or partly filled before an instruction for its amendment or cancellation is processed and you will be liable to settle the partially filled order.
- q) You acknowledge that we may only be able to partially fill an order and that you are responsible for that transaction regardless of whether or not the remainder of the order is filled.
- r) Macquarie will, in the case of Warrants, use its best endeavours to complete partially filled orders. You will be charged brokerage only on the first transaction of a partially filled order that is ultimately completed.
- s) You acknowledge that orders may be purged from ASX Trade, subject to the provisions of the Operating Rules, and ASX Trade Procedures where:
  - (i) an order expires;
  - (ii) in the case of Warrants, the underlying security is quoted 'Ex' (as defined by the ASX) for the purpose of determining an entitlement to shares, an offer to shareholders, a distribution payment or for any other reason;
  - (iii) the price at which an order is entered into ASX Trade is deemed to be too far from the prevailing market price by the ASX;
  - (iv) the underlying security has been removed from Official Quotation on the ASX; or
  - (v) the ASX determines the order should be purged for any reason whatsoever.
- t) You acknowledge that orders purged from ASX Trade will not be re-entered into ASX Trade without further instruction from you.
- u) You acknowledge and accept that in circumstances where an order is partially filled over more than one day, you will be issued a confirmation at the end of each day which will relate to the transaction(s) executed on each day.
- v) You agree and acknowledge that where a single confirmation is provided the confirmation may, where applicable, specify the average contract price of the Contracts acquired or disposed of in that series of transactions and, unless otherwise provided by the relevant Rules, Macquarie must if requested to do so by you, give you a document which includes a statement of the Contract price of each Contract acquired or disposed of in each transaction in that series of transactions.
- w) Upon receipt of the confirmation, if you believe that the confirmation does not accurately reflect the transaction you entered into, you will immediately contact your adviser prior to settlement.
- x) We may, at any time, reissue a confirmation in order to correct any errors or omissions, in which case the new confirmation will replace the original contract note/confirmation.
- y) We may cancel a confirmation at the direction of the ASX or ASX Clear.
- z) Pursuant to its powers in the ASX Operating Rules, the ASX at its sole discretion may cancel or amend market transactions or crossings without prior approval. You acknowledge that you are not able to claim compensation from Macquarie in relation to this.

## 16. Trading limits

You agree not to violate, either alone or with others, the position or exercise limits established pursuant to the ASX Operating Rules.

## 17. Change of Participant

If you receive a Participant Change Notice from Macquarie and the Participant Change Notice was received at least 20 Business Days prior to the date proposed in the Participant Change Notice for the change of Participant, you are under no obligation to agree to the change of Participant, and may choose to do any of the things set out below.

You may choose to terminate the Client Clearing Agreement in accordance with clause 19.6 or by giving instructions to the Participant, indicating that you wish to transfer your Contracts to another Participant.

If you do not take any action to terminate the Client Clearing Agreement and do not give any other instructions to Macquarie which would indicate that you do not agree to the change of Participant then on the Effective Date the Client Clearing Agreement will have been taken to be novated to the new Participant and will be binding on all parties as if, on the Effective Date:

- (a) the new Participant is a party to the Client Clearing Agreement in substitution for the existing Participant;
- (b) any rights of the existing Participant are transferred to the new Participant; and
- (c) the existing Participant is released by you from any obligations under the Client Clearing Agreement arising on or after the Effective Date.

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

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

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

Nothing in this clause 17 will prevent the completion and registration of Contracts by us where the obligation to complete those transactions arises before the Effective Date and the Client Clearing Agreement will continue to apply to the completion of those Contracts, notwithstanding the novation of the Client Clearing Agreement to the new Participant under this clause 17.

## 18. Governing law and submission to jurisdiction

### 18.1 Governing law

This Agreement will be governed by and construed in accordance with the laws of New South Wales.

### 18.2 Jurisdiction

Each party hereby irrevocably submits to and accepts, generally and unconditionally, the non-exclusive jurisdiction of the courts and appellate courts of New South Wales with respect to any legal action or proceedings which may be brought at any time relating in any way to this Agreement. Each party irrevocably waives any objection it may now or in the future have to the venue of any such action or proceedings and any claim it may now or in the future have that any such action or proceeding has been brought in an inconvenient forum.

## 19. Miscellaneous

### 19.1 Continuing obligation

This Agreement will be a continuing obligation notwithstanding any settlement of account, intervening payment, express or implied revocation or any other matter or thing whatsoever until a final discharge thereof has been given to you by Macquarie.

### 19.2 Severability

If any term or part of this Agreement is invalid or not enforceable in accordance with its terms, all other terms or parts which are self-sustaining and capable of separate enforcement without regard to the invalid or unenforceable term or part will be and continue to be valid and enforceable in accordance with their terms.

### 19.3 Waiver

A failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, remedy, power or privilege under this Agreement by Macquarie will not in any way preclude or operate as a waiver of any further exercise or enforcement of this Agreement or the exercise or enforcement of any other right, remedy, power or privilege hereunder or provided by law.

### 19.4 Counterparts

This Agreement may be executed in a number of counterparts and all such counterparts taken together will be deemed to constitute one and the same Agreement.

### 19.5 Payments

If a payment is required to be made by the Client to Macquarie under or in respect of this Agreement or any Contract that payment must, if requested by Macquarie Equities, be satisfied by way of cleared funds being delivered to us.

### 19.6 Termination of this Agreement

You may terminate this Agreement by giving Macquarie not less than 7 Business Days notice, except where Macquarie has varied this Agreement under clause 19.8(a) with less than 7 Business Days' notice to you, in which case you may terminate this Agreement with immediate effect, by notice to us in writing, subject to all your outstanding obligations under this Agreement, the Rules and related terms and conditions and any relevant Option and/or Warrant dealings, including any dealings relating to the underlying securities, being duly discharged.

Macquarie can terminate these terms and conditions by giving you 7 Business Days notice in writing. Termination will be effective upon receipt of that notice by the other party subject to all your outstanding obligations under this Agreement, the Rules and related terms and conditions and any relevant Option and/or Warrant dealings, including any dealings relating to the underlying securities, being duly discharged.

### 19.7 Effect of termination

Termination of this Agreement under clause 19.6 does not affect your or Macquarie's existing rights and obligations as at or prior to termination. Upon termination of this Agreement, Macquarie will, where applicable, Close-Out all Contracts registered in the Client's Clearing Account unless in accordance with a written direction from you, the registration of those Contracts

will be transferred to another Participant in accordance with the Rules or the operating rules of the ASX or other relevant Approved Exchange.

### 19.8 Variation

- (a) Acting reasonably, Macquarie may vary this Agreement without your consent and will give you notice of such changes in accordance with clause 19.8(b) except that we may give you shorter notice if:
- (i) It is reasonable for us to do so to manage a material and immediate risk; or
  - (ii) an immediate change or introduction is reasonably necessary to comply with any legal requirements, or any decision, code, recommendation, guidance or standard of any Regulator, court or tribunal.

- (b) Subject to clause 19.8(a), where Macquarie makes a change to this Agreement, it will give you notice in the following manner:
- (i) where in Macquarie's reasonable opinion, the variation is unfavourable to you, by giving you at least 30 days written notice;
  - (ii) where in Macquarie's reasonable opinion, the variation is material but not unfavourable to you, by giving you at least 14 days notice by:
    - (A) posting notice of the changes on our website; or
    - (B) any other reasonable form of written notice; and
  - (iii) where in Macquarie's reasonable opinion, the variation is not material and not unfavourable to you, by posting notice of the changes on its website.
- (c) Hard copy versions of the revised Agreement will be sent to you on request.
- (d) If, following a variation to the Agreement, you no longer wish to maintain your Account you may terminate it in accordance with clause 19.6. We will not charge you any exit or termination fees but you will be required to satisfy any current obligations or liabilities prior to the termination becoming effective.

## 19.9 Effect of the Rules

Each dealing effected between you and Macquarie is also subject to the Rules, and if there is any inconsistency between the terms in this Agreement and any of the Rules, the Rules shall prevail.

## 20. Your privacy

- (a) Macquarie's Privacy Policy explains how we handle your personal information and how you can access and seek correction of your information or make a complaint. You can access Macquarie's Privacy Policy at [macquarie.com.au](http://macquarie.com.au). You may also request a copy from us. By submitting an application, opening an account and/or providing us with your information, you agree to us handling your personal information in accordance with our Privacy Policy.
- (b) We will use your information for the purpose for which it was provided to us which includes the following purposes:
- (i) assessing and processing your Application Form;
  - (ii) effecting the purchase and sale of Options and Warrants in your name and providing related facilities and services, including any requirement to facilitate settlement or the requirement to deal with any third party clearing or settlement participants;
  - (iii) maintaining a register of holdings, or to correct information held by share registries or companies about you; and
  - (iv) communicating with you about your Application Form and any product or service Macquarie supplies to you.
- (c) We will supply the adviser(s) nominated on your application form or in a subsequent written communication to us, and their Australian financial services licensee if applicable, with your personal information and information about your account.
- (d) Where you provide us with, or instruct us to share, personal information about someone else, you must first ensure that you have obtained permission from that person to provide us with, or share, their personal information and to handle that information in accordance with our Privacy Policy. By providing us with or instructing us to share the personal information of someone else, you are assuring us that you have permission. If you don't have permission to provide us with, or instruct us to share, the personal information of someone else, you or that person can contact us and we can arrange to obtain the information directly from them.
- (e) We and other companies in the Macquarie Group may use your personal information to contact you about our other products and services. If you do not wish to be contacted in this manner, please visit [macquarie.com.au/optout-bfs](http://macquarie.com.au/optout-bfs) regarding how you can change your preferences for receiving marketing communications from us.

- (f) You should be aware that, from time to time, we may record phone conversations which you may have with a Macquarie representative in relation to your account. By completing your account application, you consent to this recording and its use (or any transcript of the recording) in any proceedings that may be commenced in connection with your account and you acknowledge that we are not obliged to maintain copies of such recordings or transcripts for your benefit. When calling, please let us know if you do not want your conversation to be recorded.

## 21. AML / CTF Laws

- (a) You agree and acknowledge:
- (i) Macquarie is subject to the AML/CTF Laws and its internal policies and procedures (collectively, '**AML Requirements**') and from time may need to disclose your Personal Information to comply with its obligations under the AML Requirements. You agree and consent to the disclosure of all Personal Information for the purposes of this Agreement and the AML Requirements;
  - (ii) you must not knowingly do anything to cause Macquarie or any of the other Macquarie Group entities or associates (collectively, '**Macquarie Associates**') to breach the AML Requirements. You agree to immediately notify Macquarie if you are aware of anything that would cause any of the Macquarie Associates to breach the AML/CTF Laws;
  - (iii) you will provide Macquarie with any additional information and assistance required to facilitate Macquarie's compliance with the AML Requirements in Australia or in an overseas jurisdiction where Macquarie is subject to similar anti-money laundering laws; and
  - (iv) notwithstanding any other provision in this Agreement, Macquarie will not be liable for any loss, costs or damage (of any kind) incurred by you as a result of any action Macquarie takes, pursuant to the terms of this Agreement, which either delays your Account being opened or results in your Account being blocked, suspended or declined, where Macquarie deems such action to be necessary for its compliance with the AML Requirements. You will be liable for any losses, costs and expenses incurred by Macquarie if we are found liable to a third party in connection with any action we undertake pursuant to this sub-clause (iv).
- (b) You warrant and represent that, you are not aware and have no reason to suspect that:
- (i) the money used to fund the investment is derived from or related to money laundering, terrorism financing or similar activities (**Illegal Activities**); and
  - (ii) proceeds of investment made in connection with your Account will fund Illegal Activities.
- (c) Notwithstanding any other provision in this Agreement, you agree to notify Macquarie in a timely manner if there are any changes to your personal information, including:
- (i) for an individual, change of name (for example on marriage or by deed poll) and/or change of residential address;
  - (ii) for a company, change of business name, change of shareholders, change of directors and/or secretary;
  - (iii) for a trustee, change of trustee, addition of a settler and/or addition of a beneficiary or class of beneficiary.
- (d) In order to process your application more efficiently, Macquarie may wish to verify your identity electronically. To do this, we may collect, hold, use and disclose your personal information with other companies in the Macquarie Group as well as our service providers. This is described further in our Privacy Policy, available at [macquarie.com.au](http://macquarie.com.au). If you are not successfully verified electronically, you will need to comply with the alternative identification options provided to you.

## 22. Foreign tax residency information - FATCA and CRS

- (a) You must not knowingly do anything to put Macquarie in breach of:
  - (i) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (commonly known as FATCA), any associated regulations or official guidance, any agreement with the US Internal Revenue Service relating to FATCA or any Australian laws, regulations or official guidance relating to an intergovernmental agreement between the United States and Australia in connection with FATCA (FATCA Laws) or our internal policies and procedures; and
  - (ii) our obligations in relation to Common Reporting Standards under the Taxation Administration Act 1953 (Cth) (commonly known as CRS), any associated regulations or official guidance, the OECD Multilateral Competent Authority Agreement on Automatic Exchange of Account Information or any Australian laws, regulations or official guidance in connection with CRS (CRS Laws) or our internal policies and procedures.
- (b) You agree to provide to Macquarie all the information or assistance we may request at any time, (whether as part of the application process or otherwise) to ensure that we are able to comply with our obligations under the FATCA Laws, CRS Laws or our internal policies and procedures.
- (c) In making an application, you consent to Macquarie disclosing in connection with the FATCA Laws, CRS Laws or Macquarie's internal policies and procedures any of your Personal Information (as defined in the Privacy Act 1988 (Cth)).
- (d) Macquarie retains the right not to provide products or services to you where we decide, in our sole discretion, that we do not wish to provide, including where information has not been provided as required to comply with FATCA Laws or CRS Laws.

# Macquarie Domestic ETOs and Warrants Trading Application Form

## Important information

You need to have an existing Macquarie Equities Limited domestic share trading account (Share Trading Account) in order to open an Account. This offer is only available to Wholesale Clients (as set out in section 761G of the Corporations Act). You will need to provide all supporting documentation required to evidence your status as a Wholesale Client.

Unless otherwise defined or specified in the Application Form, words and expressions defined in the Agreement have the same meaning in the Application Form.

If you are applying to trade Warrants, please ensure you also complete the Warrants Trading Agreement at the end of this Application Booklet. Please complete details as per your existing Share Trading Account, as your settlement details will need to be the same.

### Is your application in relation to:

- ETOs only     ETOs and Warrants  
 Warrants only

You can return this form to your adviser or by emailing it to **wealth@macquarie.com**. If you have any questions, please contact your adviser.

Please provide your existing Share Trading Account number

## 1. Individual applicants

### 1.a Applicant 1 details (this section must be completed regardless of your application type)

Please specify your preferred contact person for correspondence (if applicable)

- Applicant 1     Applicant 2

#### Investor type

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Individual Applicant/Sole Trader/<br>Joint Applicant  | <input type="checkbox"/> Individual Trustee<br>All Individual Trustees must also<br>complete section 3   | <input type="checkbox"/> Partner<br>All Partnerships must also complete<br>section 2                         |
| <input type="checkbox"/> Director of Corporate (if more than<br>one director, complete section(s)<br>1(b)). All Corporates must also<br>complete section 2 | <input type="checkbox"/> Director of Corporate Trustee (if more<br>than one director, complete section<br>1(b)). All Corporate Trustees must also<br>complete sections 2 and 3 | <input type="checkbox"/> Secretary of Corporate<br>All Corporates must also complete<br>section 2            |
| <input type="checkbox"/> Officer of Association<br>All Associations must also complete<br>section 2  | <input type="checkbox"/> Officer of Registered Cooperative<br>All Registered Cooperatives must also<br>complete section 2  | <input type="checkbox"/> Officer of Government Body<br>All Government Bodies must also<br>complete section 2 |

### Are you a Macquarie employee?

- No     Yes    If yes, please provide your Employee ID

**Do you have a relationship to a Macquarie employee?**

- No  Yes partner or child under the age of 18 of Macquarie employee  
 Yes resides at the same address and is financially dependent on Macquarie employee  
 Yes investment decisions influenced by Macquarie employee

If yes, please provide details of the Macquarie employee:

Employee name

Employee number (if known)

**Note: A Macquarie employee is required to register this Account in line with Macquarie policy.**

Title:

- Mr  Mrs  Ms  Miss  Dr  Other

First name

Middle name:

Surname:

Any other name you are known by (if applicable):

**Residential address** (cannot be a PO Box):

Street number and name:

Suburb:

State:

Postcode:

Country:

If mailing address is the same as residential address, tick here

**Mailing address** (please complete if different to residential address)

Street number and name:

Suburb:

State:

Postcode:

Country:

Home phone number:

Work phone number:

# Exchange Traded Options IM

## Macquarie Equities Limited

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Mobile phone number:

Email address:

Date of birth

Gender  Male

Female

Driver's licence number:

Expiry date:

Driver's licence card number:

Passport number:

Expiry date:

Country of issue:

Occupation:

### Are you an Australian resident for tax purposes?

Yes  No If no, please specify your country of residence for tax purposes

Collection of tax file numbers (TFN) is authorised and their use and disclosure is strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory but tax may be withheld from your income if you do not provide us with your tax file number or claim an exemption. For more information, please contact the Australian Taxation Office.

TFN or exemption reason:

Expiry date (if applicable):

As an alternative to quoting your TFN, you may wish to quote your ABN in sections 1c, 2 or 3 as appropriate. To quote your ABN you must be conducting your Account in the course of a business.

### Are you a tax resident of another country?

No  Yes, please provide your country of tax residence and tax identification number (TIN) or equivalent below

**A TIN is the number assigned by each country for the purposes of administering tax laws. This is the equivalent of a Tax File Number in Australia. If a TIN is not provided, please list one of the three reasons specified (A, B or C) for not providing a TIN. Please note a US TIN is a mandatory requirement for a US Specified Person.**

1. Country:

TIN:

If no TIN, list reason A, B or C

Reason A The country of tax residency does not issue TINs to tax residents

Reason B The individual has not been issued with a TIN

Reason C The country of tax residency does not require the TIN to be disclosed

**How have you mainly accumulated your wealth? (select one option only):**

Savings from employment

Business operations

Superannuation

Investments

Inheritance/Gift

Sale of a property or asset

Legal settlement

Foreign income

**1b. Applicant 2 details (if applicable)**

**Investor type**

- Joint Applicant
- Additional Director of Corporate/ Partner/ Secretary of Corporate (also complete section 2)
- Additional Director of Corporate Trustee (also complete sections 2 and 3)
- Additional Individual Trustee (also complete section 3)
- Additional Officer of Association (also complete section 2)
- Additional Officer of Registered Cooperative (also complete section 2)
- Additional Officer of Government Body (also complete section 2)

**Are you a Macquarie employee?**

- No  Yes If yes, please provide your Employee ID

**Do you have a relationship to a Macquarie employee?**

- No  Yes partner or child under the age of 18 of Macquarie employee
- Yes resides at the same address and is financially dependent on Macquarie employee
- Yes investment decisions influenced by Macquarie employee

If yes, please provide detail of Macquarie employee:

Employee name

Employee number (if known)

**Note: A Macquarie employee is required to register this Account in line with Macquarie policy.**

Title:

- Mr  Mrs  Ms  Miss  Dr  Other

First name

Middle name:

Surname:

Any other name you are known by (if applicable):

**Residential address** (cannot be a PO Box):

Street number and name:

Suburb:

State:

Postcode:

Country:

# Exchange Traded Options IM

## Macquarie Equities Limited

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If mailing address is the same as residential address, tick here

**Mailing address** (please complete if different to residential address)

Street number and name:

Suburb:

State:

Postcode:

Country:

Home phone number:

Work phone number:

Mobile phone number:

Email address:

Date of birth

Gender  Male

Female

Driver's licence number:

Expiry date:

Driver's licence card number:

Passport number:

Expiry date:

Country of issue:

Occupation:

**Are you an Australian resident for tax purposes?**

Yes  No If no, please specify your country of residence for tax purposes

Collection of tax file numbers (TFN) is authorised and their use and disclosure is strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory but tax may be withheld from your income if you do not provide us with your tax file number or claim an exemption. For more information, please contact the Australian Taxation Office.

TFN or exemption reason:

Expiry date (if applicable):

As an alternative to quoting your TFN, you may wish to quote your ABN in sections 1c, 2 or 3 as appropriate. To quote your ABN you must be conducting your Account in the course of a business.

**Are you a tax resident of another country?**

No  Yes, please provide your country of tax residence and tax identification number (TIN) or equivalent below

*A TIN is the number assigned by each country for the purposes of administering tax laws. This is the equivalent of a Tax File Number in Australia. If a TIN is not provided, please list one of the three reasons specified (A, B or C) for not providing a TIN. Please note a US TIN is a mandatory requirement for a US Specified Person.*

# Exchange Traded Options IM

## Macquarie Equities Limited

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1. Country:

TIN:

If no TIN, list reason A, B or C

Reason A The country of tax residency does not issue TINs to tax residents

Reason B The individual has not been issued with a TIN

Reason C The country of tax residency does not require the TIN to be disclosed

**How have you mainly accumulated your wealth? (select one option only):**

Savings from employment

Business operations

Superannuation

Investments

Inheritance/Gift

Sale of a property or asset

Legal settlement

Foreign income

### 1c. Sole Trader details

If you are a Sole Trader, please complete the following questions.

Full business name (if any):

ABN (if any):

**Principal place of business** (if applicable) (this cannot be a PO Box).

Street number and name:

Suburb:

State:

Postcode:

Country:

Nature of business activity:

### 2. Non-individual applicants

Australian company

Other

Public

Partnership

Private/Proprietary

Association

Registered Cooperative

Government Body

Is this application for a Corporate Trustee:  No  Yes, please also complete section 3

**Company/Partnership/Association/Registered Cooperative/Government Body name:**

**Name of body responsible for registration** (if Incorporated Association or Registered Cooperative):

# Exchange Traded Options IM

## Macquarie Equities Limited

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Collection of tax file numbers (TFN) is authorised and their use and disclosure is strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory but tax may be withheld from your income if you do not provide us with your tax file number or claim an exemption. For more information, please contact the Australian Taxation Office.

As an alternative to quoting your TFN, you may wish to quote your ABN. To quote your ABN you must be conducting your Account in the course of a business.

ACN (if applicable):

ABN (if applicable):

TFN or exemption reason:

Expiry date (if applicable):

### Is the entity a tax resident of a country other than Australia?

- No Please proceed to fill in the **Registered address** section below.
- Yes, Please complete the **Foreign tax resident - Additional tax information** section below.

### Foreign tax resident - additional tax information

Please provide the entity's country of tax residence and tax identification number (TIN) or equivalent below. If the entity is a tax resident of more than one other country, please list all relevant countries below.

*A TIN is the number assigned by each country for the purposes of administering tax laws. This is the equivalent of a Tax File Number in Australia. If a TIN is not provided, please list one of the three reasons specified (A, B or C) for not providing a TIN.*

#### Country 1

If no TIN, list reason A, B or C

#### Country 2

If no TIN, list reason A, B or C

#### Country 3

If no TIN, list reason A, B or C

Reason A: The country of tax residency does not issue TINs to tax residents  
Reason B: The individual has not been issued with a TIN  
Reason C: The country of tax residency does not require the TIN to be disclosed

- Please tick this box if there are more countries and provide details on a separate sheet.

### Registered address (this cannot be a PO Box)

Street number and name:

Suburb:

State:

Postcode:

Country:

# Exchange Traded Options IM

## Macquarie Equities Limited

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### Principal place of business (if applicable) (this cannot be a PO Box)

Street number and name:

Suburb:

State:

Postcode:

Country:

If mailing address is the same as residential address, tick here

### Mailing address (please complete if different to registered address)

Street number and name:

Suburb:

State:

Postcode:

Country:

Nature of business activity:

Main industry of operation:

### How has this entity mainly accumulated its wealth? (select one option only)

This should be considered for the customer as a whole, including any beneficial owners (if applicable).

Savings from employment

Business operations

Superannuation

Investments

Inheritance/Gift

Sale of a property or asset

Legal settlement

Foreign income

Please proceed to fill in the applicable FSC/FPA Identification Form located on the website [macquarie.com.au/idforms](http://macquarie.com.au/idforms). Then continue with the relevant sections of this application form.

### 3. Trust applicants (if you are not a trust, please proceed to section 4)

- Registered managed investment scheme.  Regulated trust (eg SMSF)  
 Government superannuation fund.  Other trust type (eg family, unit, charitable, estate)

Name of trust:

Full business name of trustee in respect of the trust (if any):

Provide the names and/or class(es) of the trust's beneficiaries. Both the names and classes of beneficiaries must be provided (if the trust has both names and class(es) of beneficiaries).

Full given/entity name(s):

Surname:

- |    |                      |                      |
|----|----------------------|----------------------|
| 1. | <input type="text"/> | <input type="text"/> |
| 2. | <input type="text"/> | <input type="text"/> |
| 3. | <input type="text"/> | <input type="text"/> |

Class(es) of beneficiaries (eg. unit holders, family members of a named person, charitable organisations/causes):

Please tick this box if there are more beneficiaries and provide details on a separate sheet.

Collection of tax file numbers (TFN) is authorised and their use and disclosure is strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory but tax may be withheld from your income if you do not provide us with your tax file number or claim an exemption. For more information, please contact the Australian Taxation Office.

As an alternative to quoting your TFN, you may wish to quote your ABN.

Trust Super ABN (if applicable):

Trust/Super TFN (if applicable):

Nature of business activity:

Main industry of operation:

Is this a self managed superannuation fund (SMSF) account?  Yes  No

How has this entity mainly accumulated its wealth? (select one option only)

This should be considered for the customer as a whole, including any beneficial owners (if applicable).

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Savings from employment | <input type="checkbox"/> Business operations | <input type="checkbox"/> Superannuation              |
| <input type="checkbox"/> Investments             | <input type="checkbox"/> Inheritance/Gift    | <input type="checkbox"/> Sale of a property or asset |
| <input type="checkbox"/> Legal settlement        | <input type="checkbox"/> Foreign income      |  |

Please proceed to fill in the FSC/FPA Identification Form for either Australian Regulated Trusts & Trustees or the FSC/FPA Identification Form for Unregulated Trusts and Trustees (as applicable), located on the website [macquarie.com.au/idforms](http://macquarie.com.au/idforms). For any trustees not listed in sections 1 or 2 of this form, provide their details on a separate sheet. Then continue to complete the **Trust Settlor information** below.

# Exchange Traded Options IM

## Macquarie Equities Limited

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### Trust Settlor information

*The Trust Settlor is the entity(s) who settles the initial sum to create the Trust.*

If the settlor of the trust is an entity, please fill in the Entity Tax Declaration Form in respect to the settlor entity, located on the website **macquarie.com.au/idforms**. Then continue to section 4 to complete the form.

If the settlor of the trust is an individual, continue below.

### Individual Trust Settlor

Full name:

### Registered Address (this cannot be a PO Box)

Provide the settlor's address as listed in the Trust Deed. Where an address is not listed, please provide the Trust or Trustee's address.

Street number and name:

Suburb:

State:

Postcode:

Country:

Mobile phone number:

Email:

### Please answer both tax residency questions:

Residency rules differ by country. Whether an individual is tax resident of a particular country is often (but not always) based on the amount of time a person spends in a country, the location of a person's residence or place of work. For the US, tax residency can be as a result of citizenship or residency.

Is the settlor a tax resident of Australia?

Yes

No

Is the settlor a tax resident of another Country?

Yes

No

If the settlor is deceased, and to the best of your knowledge the settlor is not a foreign tax resident,  
OR the settlor has no connection to the trust (other than the original settlement that created the trust), and to the best of your knowledge the settlor is not a foreign tax resident,  
THEN select 'No' above.

**If the settlor is a tax resident of a country other than Australia, please provide the date of birth, and tax identification number (TIN) or equivalent below. If the settlor is a tax resident of more than one other country, please list all relevant countries below.**

A TIN is the number assigned by each country for the purposes of administering tax laws. This is the equivalent of a Tax File Number in Australia or a Social Security Number in the US. If a TIN is not provided, please list one of the three reasons specified (A, B or C) for not providing a TIN.

Date of Birth

**Country 1**

**Country 2**

**Country 3**

TIN

TIN

TIN

If no TIN, list reason A, B or C

If no TIN, list reason A, B or C

If no TIN, list reason A, B or C

Reason A The country of tax residency does not issue TINs to tax residents  
Reason B The individual has not been issued with a TIN  
Reason C The country of tax residency does not require the TIN to be disclosed

Please tick this box if there are more individual Trust Settlers and provide details on a separate sheet.

#### 4. Account designation

Account designation. This should be the same as your Share Trading Account:

 A/C>

#### 5. Authorised Representative

Please complete this section if you would like to nominate an Authorised Representative for your Account, otherwise please proceed to section 6.

##### Authorised Representative Appointment

Your **Authorised Representative** is the person who will have the authority to operate or provide instructions in relation your Share Trading Account and ETO Account as if they were you (excluding any instructions to alter your personal information).

Title:

Mr  Mrs  Ms  Miss  Dr  Other

First name

Middle name:

Surname:

Any other name you are known by (if applicable):

# Exchange Traded Options IM

## Macquarie Equities Limited

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### Residential address (cannot be a PO Box):

Street number and name

Suburb:

State:

Postcode:

Country:

If mailing address is the same as residential address, tick here

### Mailing address (please complete if different to residential address)

Street number and name:

Suburb:

State:

Postcode:

Country:

Home phone number:

Work phone number:

Mobile phone number:

Email address:

Date of birth

Gender  Male  Female

Driver's licence number:

Expiry date:

Driver's licence card number:

Passport number:

Expiry date:

Country of issue:

Occupation:

How have you mainly accumulated your wealth? (select one option only)

Savings from employment

Business operations

Superannuation

Investments

Inheritance/Gift

Sale of a property or asset

Legal settlement

Foreign income

**Authorised Representative (continued)**

I accept my appointment as the Authorised Representative of the Client on the terms set out herein. In addition, I have read and agree to be bound by the terms of the Agreement and the Macquarie Share Trading Terms and Conditions and the ETO IM. A copy of the Macquarie Share Trading Terms and Conditions can be found at [macquarie.com.au/share-trading-tc](https://www.macquarie.com.au/share-trading-tc). I confirm that I am authorised to provide my personal details presented and consent to my information being checked with the document issuer or official record holder for the purpose of confirming my identity.

Signature of Authorised Representative:

**Note: The Authorised Representative must provide proof of identification (refer to FSC/FPA Identification Form for Individuals and Sole Traders available at [macquarie.com.au/idforms](https://www.macquarie.com.au/idforms)).**

**6. Settlement details**

The Linked Settlement Account for your Share Trading Account (of the same name and referenced in this application), will apply to your ETOs and Warrants Account. The instructions you provide for your Share Trading Account will be deemed to be authorisation for Macquarie Group to directly debit and credit to facilitate settlement of your investment transactions (and any associated fees) for your ETOs and/or Warrants Account in accordance with the Direct Debit Request Service Agreement as outlined in the Macquarie Share Trading Terms and Conditions. You confirm that Macquarie is entitled to rely on this authorisation until we receive written notice from you to the contrary.

**7. Trade confirmations**

Macquarie has an obligation to send confirmations to the account holder. Additional copies of trade confirmations may be sent via email only. Please provide the email address(es) below.

Additional recipient:

Additional recipient:

Is any applicant an employee of an ASX market participant or a company or trust controlled by an employee of an ASX market participant?

Yes       No

If yes, copies of trade confirmations must be sent to the employer. Please provide your employer's email address.

Would you like the Authorised Representative in section 5, to receive copies of trade confirmations for this account via email?

Yes       No

If yes, please ensure you have provided an email address in section 5.

## 8. Financial requirements

In order to assess your financial appropriateness for investing in Options, please complete the following section:

(i) In what range would your total net worth be best represented?

- Up to \$50,000       \$50,000 - \$250,000       \$250,000 - \$500,000       \$500,000 - \$1 million  
 \$1 million - \$5 million       \$5 million and over

(ii) Your gross income over each of the last two years would be best represented by the following range:

- Up to \$100,000 pa       \$100,000 - \$250,000 pa       \$250,000 - \$500,000 pa       \$500,000 pa and over

(iii) What percentage of your assets are liquid?

- 0 - 10%       11% - 30%       31% - 50%       51% - 70%       71% - 100%

(iv) How much cash would you be able to readily provide to ASX Clear or Macquarie within a week if required?

- Up to \$30,000       \$30,000 - \$100,000       \$100,000 - \$200,000       \$200,000 - \$500,000  
 \$500,000 - \$1 million       \$1 million and over       Other amount. Please provide details

## 9. Purpose of your investment and source of funds

**What will this account mainly be used for? (select one option only)**

This should be considered for the customer as a whole, including any beneficial owners, directors or signatories that have control over the entity (if applicable).

- Investments/Growth       Savings       Business Investments       Superannuation/Pension       Income

**How will this account mainly be funded? (select one option only)**

This should be considered for the customer as a whole, including any beneficial owners, directors or signatories that have control over the entity (if applicable).

- Employment/Business income       Investments and dividends/Asset sale       Superannuation/Pension  
 Savings       Inheritance/Gift       Government benefits/Social security  
 Foreign income

In addition to the above, are any funds to be invested coming from a borrowed source?

- Yes       No

## 10. ETOs knowledge questionnaire

Trading ETOs at Macquarie requires an applicant(s) to complete a knowledge questionnaire. ETOs can be highly leveraged and complex products, and the risk of loss can be substantial, so it is important that you can demonstrate the requisite knowledge and understanding of the mechanics and risks involved in trading options.

ETOs may be suitable for investors depending upon the types of strategies employed and can be used for risk management, speculation, income generation and gearing. Different strategies have different levels of risk and hence different pay off profiles.

It is important that you and Macquarie are comfortable with the exposures that your positions may create.

We categorise trading options into four types of trading strategies. Each type of trading strategy has its own Account Type. These are outlined in section 10a below.

The ASX online courses and brochures will provide an explanation of option trading and will help you complete the required questionnaire.

## 10a. Account Types

### Account Type 1

**Bought Positions** – Bought options to open positions and only selling options to close out a position. This type of trading allows investors to be limited in exposure to the amount of money they outlaid in buying the options. These options also have unlimited profit potential. These accounts will not have any margin obligations or require any collateral being lodged at ASX Clear.

### Account Type 2

**Covered Call positions** – Covered Calls are the sale of a call option against the underlying stock held on an account with Macquarie. These accounts will require that the stock held on the Macquarie account be lodged with ASX Clear to ensure no margin obligations are incurred. The income received from the sale of the options is the maximum profit, and investors forgo any upside on the underlying share. Investors need to be aware that if the underlying share was to experience a decline the downside protection is limited only to the amount of premium received.

### Account Type 3

**Account Type 3** includes Covered put and Spread strategies.

**Covered put positions** – A covered put strategy is the sale of a put option where the notional exposure is covered by current cash holdings held with Macquarie or a margin facility available to your Share Trading Account. That is, the account has the financial capacity in available cash to take full physical delivery of the underlying position(s) at all times. Further, to cover margins obligations, the strategy requires sufficient shares on an account held with Macquarie, and/or cash to be lodged with ASX Clear. A covered put strategy can be used as a way to enter a stock position at a reduced cost.

**Spreads** – Spread trades are the combination of two options series (in the same stock) that can be diagrammatically represented in an options pay off diagram where both the upside and the downside of the strategy has a limited loss. These include strategies such as Bull and Bear Spreads, Debit Calendars, Butterflies, Condors and some Ratio Spreads. The exposures created will be able to determine a maximum loss for the strategy at the time it is entered into. Margins may be payable on such positions, but will be limited to the maximum loss. Positions can include equity holdings to create the appropriate pay off diagrams such as a stock repair strategy. This type of trading strategy is typically used by conservative investors looking to reduce risk from the options strategies while still benefiting from directional moves or time decay.

### Account Type 4

**Index covered positions** – A covered index strategy is the sale of an index call and/or put option where the notional exposure is fully covered by shares on an account with Macquarie; by current cash account balance held with Macquarie, or by a margin facility available to your Share Trading Account, lodged as collateral with Clearing Firm. This strategy requires sufficient shares on an account held with Macquarie, and/or cash to be lodged with the Clearing Firm to cover any margin obligations. The downside protection offered from the sale of the call or put option is limited to the amount of premium received. There is also an opportunity cost to investors for movements in the index value beyond the strike price of the written option. Macquarie may require multiples of the notional exposure to cover margin obligations. Your adviser will provide details based on the index strategy you are trading.

### Account Type 5

**Naked / uncovered positions** – These accounts will be allowed to trade any strategy. These should only be used by experienced options investors. Investors who trade naked positions can be exposed to unlimited potential for loss on both the up and down side of the market. Margins are payable on naked positions and can be unlimited. Exposure to volatility increases could lead to larger margins over time without any real move in the underlying asset over that period. Positions may incur margin calls above and beyond those required by ASX Clear, at the discretion of Macquarie. Accounts with positions that generate excessive exposures will be reviewed and protective trades may be requested by Macquarie to ensure the account keeps within appropriate risk measures monitored by ASX Clear.

Please indicate the type of strategies you would like to trade by selecting one Account Type:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Account Type 1:<br>Strategies in Account Type 1 only  | <input type="checkbox"/> Account Type 2:<br>Strategies in Account Type 1 AND<br>Account Type 2 | <input type="checkbox"/> Account Type 3:<br>Strategies in Account Type 1, Account<br>Type 2 AND Account<br>Type 3 |
| <input type="checkbox"/> Account Type 4:<br>Strategies in Account<br>Type 1, Account Type<br>2, Account Type 3<br>AND Account Type 4 | <input type="checkbox"/> Account Type 5:<br>All strategies                                     |   |

Please complete only Part 1 or Part 2 of the questionnaire and not both.

If you have elected to apply for Account Type 1 or Account Type 2, please go to 10b and complete the knowledge questionnaire.

If you have elected to apply for Account Type 3, Account Type 4 or Account Type 5, please go to 10c and complete the knowledge questionnaire.

**10b. Knowledge questionnaire for Account Type 1 or Account Type 2**

Please tick the most appropriate response. Macquarie will use your responses below as part of our assessment in opening an Exchange Traded Options account for you.

1. The maximum profit from a bought call strategy is unlimited?  True  False
2. For a bought put option, the value of the put option will increase as the price of the underlying security increases?  True  False
3. An option seller (writer) is committed to meeting the obligations of the option contract from the time of selling (writing) until the option is closed out, including any obligations or liability created by the close out?  True  False
4. Macquarie will automatically exercise your bought (taken) option contract, if your position is in-the-money by any amount at the date of expiry?  True  False
5. Options trades, unlike equity trades, are settled on T+1?  True  False
6. Time decay benefits call option writers?  True  False
7. A bought call position benefits from?  
 Time decay     Falling volatility     Falling interest rates     Increasing share price
8. What downside protection does a sold (written) call option provide for a position in the underlying stock?  
 Unlimited protection  
 Depends on the exercise price  
 No protection  
 Limited protection to the value of the premium received for opening the position
9. When a covered call seller (writer) is assigned, the option seller (writer):  
 Can close out their position by buying back the option  
 Can buy the shares from the option buyer (taker)  
 Must sell the shares for the exercise price, foregoing any further upside  
 Can transfer the assignment to another party
10. As a covered call seller (writer), you may be exposed to the following risk/s:  
 The opportunity cost of an increase in the underlying share price above the strike price of the sold (written) call  
 Potential early exercise of the sold (written) call, if the call option is deep in-the-money, the underlying share is paying an upcoming dividend and the call option is American in expiry  
 Capital loss on the underlying shares held in the covered call position  
 Increasing volatility will make the call option more expensive to close out, prior to expiry or, to avoid early exercise  
 All of the above
11. Your potential losses from trading options:  
 Are limited to the balance in your linked bank account  
 Are limited to the initial margin you provide when a position is first opened  
 Are limited to your net worth  
 Can exceed all of the above

12. Is it possible to define the maximum loss on all options strategies when they are first placed?
- Yes, the downside for all strategies can be defined when a trade is first placed and are limited
- No, the downside in some strategies are undefined when a trade is first placed and can be unlimited
13. You can only accumulate losses on an options account if you close positions.
- True, the only losses are those which are realised
- False, you can accumulate unrealised losses on open positions

**Declaration**

I completed Part 1 of the knowledge questionnaire based on my selected Account Type:

- Account Type 1                       Account Type 2

Signature authorisation of applicant 1 or company officer:

Date

Name

If a company officer or trustee, specify your corporate title:

- Director                       Secretary
- Sole Director or Sole Secretary                       Other

Signature authorisation of applicant 2 or company officer:

Date

Name

If a company officer or trustee, specify your corporate title:

- Director                       Secretary
- Other

**10c Knowledge questionnaire for Account Type 3 or Account Type 4 or Account Type 5**

Please tick the most appropriate response. Macquarie will use your responses below as part of our assessment in opening an Exchange Traded Options account for you.

1. A sold (written) straddle strategy (please refer to section 8.6 'Summary of ETO strategies' of this IM for more information) requires selling both a call option and put option at the same strike price.  True  False
2. The sold (written) (short) straddle strategy benefits from an increase in volatility after the strategy has been put in place.  True  False
3. If you are assigned on a sold (written) call position and do not hold the stock, you will be required to purchase the stock immediately after being notified of an assignment.  True  False
4. Macquarie can close your option position at your expense and without prior notification, if you fail to meet your margin obligations.  True  False
5. Your margin obligation is calculated by ASX Clear. Simplistically, the margin calculation accounts for the mark to market value of your options portfolio and the potential one day loss of your options portfolio due to changes in stock prices, volatility and time.  True  False
6. Generally speaking, the liquidity of an individual option is a function of the liquidity in the underlying share. In addition, market makers may provide additional liquidity through bid/offer spreads. During volatile markets or specific stock announcements the liquidity may reduce and bid/offer spreads widen. It may be difficult to close out a large position quickly.  True  False
7. The seller of an American style option is not at risk of early exercise.  True  False
8. What is the typical outlook of a sold (written) strangle strategy? (Please refer to section 8.6 'Summary of ETO strategies' in this IM for more information):  
 Bullish  
 Bearish  
 Expecting sharp price movement but not sure which way  
 Neutral and declining volatility
9. Which of the following best describes the profit and loss profile and obligations of a sold (written) put option?  
 Unlimited profit, limited loss, and an obligation to sell the stock at the strike price  
 Unlimited profit, limited loss, and an obligation to buy the stock at the strike price  
 Limited profit, significant loss as the stock could drop to zero, and an obligation to buy the stock at the strike price
10. Which of the following strategies would not result in a margin obligation?  
 Bull call (debit) spread  
 Bull put (credit) spread  
 Short strangle  
 Short straddle
11. You hold the following bear put spread in DEF Limited: Long 10 DEF June \$10.00 puts at \$5, and short 10 DEF June \$9.50 puts at \$4.80. Which of the following statements are true about the above spread position:  
 You have a debit spread  
 There is no margin obligation  
 The maximum profit on this position is \$0.30, if the stock finishes below \$9.50 on June expiry  
 The maximum loss on this position is \$0.20, if the stock finishes above \$10 on June expiry  
 All of the above

12. You hold the following option position for XYZ Limited: short 50 XYZ June \$20.00 puts. The share price for XYZ Limited drops from \$20 to \$18. Which of the following statements is correct?

- The margin requirement for this position will decrease
- The margin requirement for this position will remain unchanged
- The margin requirement for this position will increase
- The position does not attract margin obligations

13. Please describe in your own words (25 words or less or a number of bullet points) what other risks you are exposed to in question

14. Your potential losses from trading options

- Are limited to the balance in your linked bank account
- Are limited to the initial margin you provide when a position is first opened
- Are limited to your net worth
- Can exceed all of the above

15. Is it possible to define the maximum loss on all options strategies when they are first placed?

- Yes, the downside for all strategies can be defined when a trade is first placed and is limited.
- No, the downside in some strategies is undefined when a trade is first placed and can be unlimited.

16. You can only accumulate losses on an options account if you close positions.

- True, the only losses are those which are realised.
- False, you can accumulate unrealised losses on open positions.

**Declaration**

I completed Part 2 of the knowledge questionnaire based on my selected Account Type:

- Account Type 3       Account Type 4       Account Type 5

Signature authorisation of applicant 1 or company officer:

Date

Name

If a company officer or trustee, specify your corporate title

- Director       Secretary  
 Sole Director or Sole Secretary       Other

Signature authorisation of applicant 2 or company officer:

Date

Name

If a company officer or trustee, specify your corporate title

- Director       Secretary  
 Other

### 11. Collateral

This authorisation covers the following Accounts:

I/we authorise my/our Controlling Participant, to reserve (or withdraw) Financial Products (the 'Collateral') registered in my/our name in ASX Clear Pty Limited, ABN 48 001 314 503 ('ASX Clear') Subposition as Collateral Cover for obligations in respect of Options Market Contracts registered in the Accounts nominated above with my/our ASX Clear Participant.

I/we acknowledge that

- ASX Clear may, in its absolute discretion, decline to accept in relation to all or any particular Account for the purposes of accepting paperless lodgement;
- the Controlling Participant will reserve (or withdraw) Collateral in the ASX Clear Subposition by sending the appropriate Collateral lodgement message so that the Collateral lodged comes under the control of ASX Clear, or Collateral withdrawn leaves the control of ASX Clear, in accordance with the ASX Clear Operating Rules and Procedures (as amended from time to time);
- in registering Collateral in the ASX Clear Subposition, the Collateral will be subject to a fixed charge (the 'Charge') in favour of ASX Clear from the time they are reserved to the ASX Clear Subposition in the manner referred to above, and will remain subject to the Charge until ASX Clear permits it to be withdrawn from the ASX Clear Subposition;
- the Charge secures all amounts and obligations owing by the ASX Clear Participant to ASX Clear in connection with my/our Accounts in accordance with the ASX Clear Operating Rules and Procedures (as amended from time to time); and
- I/we have read and understood the ASX Clear Operating Rules and the ASX Settlement Operating Rules, in so far as those rules relate to the Collateral and the Security Interest, including ASX Clear's power to deal with the Collateral on default by the Controlling Participant in respect of my Accounts; and in particular, ASX Clear's power of sale in relation to the Collateral without any notice to me/us.
- I/we warrant that unless ASX Clear otherwise agrees in writing, the Collateral is not and may not be subject to any other security interest, other than a security interest provided to a margin lender under a deed of priority, entered into between ASX Clear and the margin lender, which provides that ASX Clear's Charge has priority over the margin lender's security interest ('the Deed of Priority') or a security interest as permitted under the ASX Clear Operating Rules or the ASX Settlement Operating Rules.
- if my/our Controlling Participant named in this Authorisation is a margin lender, I/we warrant that I/we have signed an acknowledgement regarding the Deed of Priority as set out in Schedule 2 or Schedule 3, as applicable, to the Deed of Priority.
- if the ASX Clear Participant is unable to insert the Account Numbers and/ or HIN at the time that I/we sign this form, I/we irrevocably authorise the ASX Clear Participant to insert the Account Numbers and/or HIN on this agreement and agree the ASX Clear Participant will insert the Account Numbers and/or HIN on my/our behalf, prior to lodging this Authorisation with ASX Clear. The ASX Clear Participant agrees that it will notify me/us in writing as soon as reasonably possible.
- defined terms have the same meaning as defined in the ASX Clear Operating Rules or the ASX Settlement Operating Rules and Procedures (as amended from time to time).

Signature of Applicant 1\*:

Print name

Date

Signature of Applicant 2\*:

Print name

Date

\* If there are two applicants, both applicants are required to sign this form. If a corporation, it must be signed in accordance with the Corporations Act, or if signed under power of attorney, a copy of the power of attorney must also be attached to this Authorisation.

## 12. Declaration

Before signing this Application Form, please ensure that you have read and agree to the following:

- this IM;
- the Agreement;
- online courses and brochures issued by the ASX that are available on [asx.com.au](http://asx.com.au) to ensure that you have a full understanding of ETOs and Warrants. In particular, the online courses and brochures about:
  - Understanding Options Trading
  - Low Exercise Price Options (if you are trading in LEPOs);
  - Understanding Trading and Investment Warrants (if you are trading in Warrants).

You acknowledge you satisfy the criteria for a “wholesale client” as defined in section 761G of the Corporations Act;

By signing this application you:

- confirm that this application was obtained and signed when in Australia;
- warrant and represent that the information provided in this Application Form is true and correct;
- confirm that you have received, read, and agree to be bound by the terms set out in:
  - this Agreement;
  - the IM,
- warrant and represent that you have received or accessed the online courses and brochures issued by the ASX;
- acknowledge that electronic trade confirmations sent by Macquarie in relation to your dealings in Options and/or Warrants will be issued subject to the Rules, customs and usages of the ASX and ASX Clear, customs and usages of the market, and correction of errors or omissions;
- acknowledge and consent to trade confirmations, account statements, updates to the above mentioned documentation, disclosure documents and any other information which a Macquarie Group entity is required to disclose or provide to you, being provided to you electronically;
- release any Macquarie Group entity from any obligation or liability with respect to the content or use of the information provided to you via email, except if there is a loss that is caused directly by any negligence, default, breach, fraud or dishonesty by Macquarie;
- consent to your information being checked with the document issuer or official record holder for the purpose of confirming your identity;
- declare that all information (including tax residency information) that you have provided to Macquarie or to your financial services professional in relation to this application (whether on this form or by other means) is true and correct, and that you confirm that you will promptly provide Macquarie with details of any changes to the information provided by you from time to time. On reasonable request, you will also provide Macquarie with any further information it requires to comply with applicable laws and its internal policies.

# Exchange Traded Options IM

## Macquarie Equities Limited

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If you have authorised and appointed an Authorised Representative in section 5 of this application form, you agree and declare the following:

- a) I/We authorise the Authorised Representative to deal on and operate my account in all matters as if they were me/us (excluding any instructions to alter my/our personal information or appoint another Authorised Representative). Macquarie are entitled to rely on any instruction given by my/our Authorised Representative as if such instructions were authorised by me/us.
- b) I/We agree that the authorisation and appointment of the Authorised Representative will continue until I/we cancel it in writing addressed to Macquarie and Macquarie may accept instructions from them until I/we have notified Macquarie.
- c) If I/we have appointed more than one person as an Authorised Representative, Macquarie can accept instructions from any one of them.
- d) If I/we or my/our Authorised Representative do not provide Macquarie with information as requested, or there is a delay in providing Macquarie with this information, Macquarie may not be able to execute my/our instructions or instructions from my/our Authorised Representative.

Please contact your adviser or Macquarie directly if you do not understand any aspect of the Agreement, the application form, the IM or any other services to be provided to you by Macquarie.

Signature authorisation of applicant 1 or company officer:

Date

Name

If a company officer or trustee, specify your corporate title

- Director                       Secretary  
 Sole Director or Sole Secretary       Other

Signature authorisation of applicant 2 or company officer:

Date

Name

If a company officer or trustee, specify your corporate title

- Director                       Secretary  
 Other

**Office use only**

Trading account number   Existing client  New client

Note: ETO settlement to LE or NAB can only be supported off-platform (DVP).

Adviser name  Adviser code

Brokerage rate (% and/or min flat)

If this account is for a SMSF, did you provide personal advice recommending the establishment of this SMSF post February 2014?

- No  
 Yes. Please attach a signed 'Authority to Proceed - Establishment of an SMSF' form.

Are you related to, associated to, or have an interest in this account?

- No  
 Yes. Should this account be flagged as staff.  
 Yes  No. Please provide RMG Control room approval

# Macquarie Exchange Traded Options Transfer form

Complete this form to transfer any existing open positions to your new account. Please note that open positions must be in an identical name and address to those provided for the destination account. Macquarie reserves the right not to accept open positions.

**You can return this form to your adviser or by emailing it to [wealth@macquarie.com](mailto:wealth@macquarie.com). If you have any questions, please contact your adviser.**

Date verified	Transferring from
<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>

Name(s)

Positions being transferred (alternatively attach Open Position Statement)

Stock	Option series	Quantity

I/We hereby declare that I/we take full responsibility for the investment decision in relation to Option positions that were entered into prior to transferring those open positions to Macquarie. I/We acknowledge that Macquarie will generally not be held liable for any losses that may arise from these positions, or the rolling of these positions, which were entered into as a result of advice provided by my/our non-Macquarie adviser. Macquarie may only be liable for loss if it is caused by any negligence, default, breach, fraud or dishonesty by us or our officers, employees, or agents.

**Authorisation of Applicant 1 or Company Officer**

**Authorisation of Applicant 2 or Company Officer**

Signature of applicant 1:

Signature of applicant 2:

Date

Date

Name

Name

If a company officer or trustee, specify your corporate title

If a company officer or trustee, specify your corporate title

- Director                       Secretary
- Sole Director or Sole Secretary     Other

- Director                       Secretary
- Other



Macquarie Equities Limited [ABN 41 002 574 923] AFSL 237504 ('MEL') is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth), and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited [ABN 46 008 583 542 AFSL and Australian Credit Licence 237502] ('MBL'). MBL does not guarantee or otherwise provide assurance in respect of the obligations of MEL.

# Directors Guarantee and Indemnity Form

## Deed of guarantee and indemnity

### Important notice

By signing this guarantee and indemnity you become personally responsible for all amounts that the Client owes Macquarie Equities Limited ABN 41 002 574 923 ("MEL") from time to time.

Client name:

Guarantor(s) name:

Guarantor(s) name:

Guarantor(s) name:

This guarantee and indemnity is given by each Guarantor in relation to the obligations and liabilities of the Client under any trading facility it holds with MEL, including, but not limited to, any Exchange Traded Options account (and any associated trading account), or International Securities Trading account (and any associated margin loan account) (each and collectively, "Account"), regardless of whether the Account was established before or after the date of this guarantee and indemnity. MEL recommends that all Guarantors read and understand the terms and conditions of the Account ("Agreement") prior to signing this guarantee and indemnity. A copy of the applicable Account terms and conditions are attached to this guarantee and indemnity form and are also available on request to MEL at any time. MEL also recommends that all Guarantors obtain appropriate professional advice to understand the impact of this Guarantee.

In consideration of MEL opening and maintaining the Account for the Client (and any other facilities from time to time), each of the directors named above ("Guarantor") grants a guarantee and indemnity in favour of MEL on the following terms:

1. the Guarantor unconditionally and irrevocably guarantees all obligations of the Client, including payment of all moneys now or at any time (including interest on moneys due, fees, charges and expenses) owing by the Client to MEL in connection with the Account for any reason whatsoever and undertakes to pay such moneys on demand (including any amounts MEL may pay to third parties on behalf of the Client);
2. the Guarantor agrees that this guarantee and indemnity is enduring and will continue in full force and effect until released by MEL and any dealing between the Client and MEL will not vary, release, abandon or waiver any of the rights or liabilities created by this guarantee and indemnity;
3. as a separate and additional liability, the Guarantor agrees that it is liable for any losses, costs and expenses incurred by MEL by reason of the Client defaulting in payment of any sum owing under the Agreement;
4. where there is more than one Guarantor agreeing to guarantee the same obligations of the Client, this guarantee and indemnity binds every two or more of them jointly and each of them severally and MEL may pursue any or all of them at its discretion;
5. the Guarantor acknowledges and agrees that:
  - a. it has read the Agreements and the terms of this guarantee and indemnity and that the Guarantor sufficiently understands what the Guarantor is entering into and what its obligations are under the guarantee and indemnity;
  - b. it has been advised to obtain independent financial and legal advice on the nature and effect of the Agreement, the terms of this guarantee and indemnity and any securities to be granted by the Guarantor;
  - c. it has been advised to make its own inquiries about the financial position of the Client;
  - d. this guarantee and indemnity may only be varied in writing by agreement of both parties; and
  - e. this guarantee and indemnity may not be assigned by the Guarantor without the prior written consent of MEL, which will not be unreasonably withheld; and
6. this guarantee and indemnity shall be governed by the laws of New South Wales.

**Executed as a deed poll.**

**Director Signature:**

Print name

Print address

Date

**Witness Signature:**

Print name

Print address

Date

**Director Signature:**

Print name

Print address

Date

**Witness Signature:**

Print name

Print address

Date

**Director Signature:**

Print name

Print address

Date

**Witness Signature:**

Print name

Print address

Date

# Macquarie Warrants Trading Agreement form

**In order to trade warrants with Macquarie Equities Limited (MEL) it is a requirement that you have read and understand the online courses and brochures issued by the ASX that are available on [asx.com.au](http://asx.com.au) to ensure that you have a full understanding of Warrants. In particular, the online courses and brochures covering:**

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You can return this form to your adviser or by emailing it to **[wealth@macquarie.com](mailto:wealth@macquarie.com)**. If you have any questions, please contact your adviser.

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**Understanding Trading and Investment Warrants, and agree to the conditions below.**

## **Account number**

Please provide your Macquarie Share Trading Account number:

## **Account name**

Please provide the name on this Macquarie Share Trading Account:

## **Your agreement**

Please acknowledge that you agree to the following conditions by signing below:

- warrant and represent that you have received, read, and agree to the terms and conditions set out in the Domestic Exchange Traded Options and Warrants Trading Agreement;
- you are aware that a Warrant has a limited life and cannot be traded after its expiry date;
- you are aware that Warrants do not have standardised Terms of Issue and acknowledge that it is your responsibility to become aware of the Terms of Issue of any Warrant in which you choose to invest;
- you are aware that Warrants may be subject to adjustments after their initial issue. You acknowledge that it is your responsibility to become aware of any adjustments which may have been made to any warrant in which you choose to invest;
- you are aware that admission to Trading Status of a Warrant does not imply that the ASX or the National Securities Exchanges Guarantee Corporation Limited gives any guarantee or warranty as to the viability of the Warrant Issuer or Guarantor; and
- you acknowledge that failure of the Warrant Issuer or the Guarantor (if applicable) to fulfil their obligations does not give rise to a claim against the ASX, handling Participating Organisations or the National Securities Exchanges Guarantee Corporation Limited.

**Your declaration**

I/We agree to the above conditions

Authorisation of Applicant 1 or Company Officer

Signature of applicant 1:

Date

Name

If a company officer or trustee, specify your corporate title

- |  |                                    |
|--|------------------------------------|
| <input type="checkbox"/> Director                        | <input type="checkbox"/> Secretary |
| <input type="checkbox"/> Sole Director or Sole Secretary | <input type="checkbox"/> Other     |

Authorisation of Applicant 2 or Company Officer

Signature of applicant 2:

Date

Name

If a company officer or trustee, specify your corporate title

- |                                   |                                    |
|-----------------------------------|------------------------------------|
| <input type="checkbox"/> Director | <input type="checkbox"/> Secretary |
| <input type="checkbox"/> Other    |                                    |

**macquarie.com.au**

For more information about ETOs or Warrants, email [macquariewealth@macquarie.com](mailto:macquariewealth@macquarie.com) or write to us at:

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Sydney NSW 1164