

Understanding Options Reports

Your guide





Options Reports

Morgans has created this guide to help you better understand the reports and statements relating to your options trading.

The options trading statements you receive can be difficult to interpret, particularly if you are new to options trading. Morgans explains the items in each of the various reports and statements you will receive while trading options. These statements are sent via email each week day at approximately 9pm. Please use the descriptions provided to interpret your reports and thereby gain an improved understanding of the options trading that you have undertaken.

If at any stage you do not understand any of the information in the reports you receive, you should either contact your adviser directly or call (07) 3334 4888 and ask to speak to the Director, Equity Derivatives or the Compliance Derivatives Officer.

Reports covered in this guide are:

- Trading Statement
- Position and Financial Statement
- Collateral Holdings Statement
- Position Information Notice
- Current Account Statement.

Trading Statement

The month the position expires

Number of contracts traded (note the shares per lot above e.g. 100 shares x 10 contracts = 1,000 shares)

The price per contract which the position was traded

The rate multiplied by the number of contracts gives the total ACH options contract fee for this trade

The price the position was bought or sold

Shows if the position is opened or closed (note the liquidation advice shows details of the matchout)

The ACH options contract fee per contract

The rate of commission charged on the account

Commission cost is the dollar value of brokerage on the trade (GST shows below the brokerage)

Total traded value of the options contract, not including GST i.e. number of shares (contract multiplied by the shares per lot) multiplied by the price (10 x 100) x 0.14 = 140

Trading total = trade value + commission inclusive of GST + value inclusive of GST (140 + 27.50 + 1.43 = 168.93)

Shows the net result of open and closed option positions

| | |
|--------------------------------------|---|
| Month | This is the month in which the open position will expire |
| Strike | This is the price at which the open position was bought or sold |
| Quantity of bought options contracts | The size of each contract is highlighted above the trade |
| Quantity of sold options contracts | The size of each contract is highlighted above the trade |
| Price | The price per contract at which the options contract was traded |
| Trade date | The date the trade was executed |
| Expiry date | The date on which the options contracts will expire |
| Fees (Rate) | The ACH options contract fee per contract |
| Fee (Value) | This equates to the rate multiplied by the number of contracts and gives the total of the ACH options contract fees for this trade (the GST on the ACH fees is listed below the fees) |
| Commission (Rate) | The rate of commission charged on the trade e.g. 1% |
| Commission (Value) | Commission costs – dollar value of brokerage for this trade (the GST on the brokerage is listed below the brokerage) |
| Traded value | The total traded value of the options contract (i.e. number of contracts multiplied by the price/premium) |

The Trading Statement is sent to you only on the days you trade. This statement details the trades executed on your account for that day. This statement is important and should be kept for tax purposes.

Liquidation advice

This section of the report shows open positions (that have been closed that day) and the resulting profit/loss from those trades. This section can also show where the following has occurred:

- if you have a sold position and this has been assigned, it will show the costs of that transaction, which is usually a nominal fee
- if you have a bought position and this has been exercised, a similar cost to undertake that transaction is shown

Position and Financial Statement

| CURRENT OPEN POSITION DETAILS | | | | | | | | | | |
|---|--------|-----|------|-------------|------------|-------------|-----------------------|--------------|--------------|----------------|
| Month | Strike | Buy | Sell | Trade Price | Trade Date | Expiry Date | Traded Value | Market Price | Market Value | Unrealised P/L |
| Australian Stock Exchange | | | | | | | | | | |
| BHP BHP Equity Options (100 Shares per lot; European style options) | | | | | | | | | | |
| Sep | 45.01 | Put | 20 | 8.8700 | 27/03/17 | 25/09/17 | 17,740.00CR | 7.3300 | 14,660.00CR | 3,080.00CR |
| | | | | | | | AUD 17,740.00CR | | 14,660.00CR | 3,080.00CR |
| | | | | | | | Total AUD 17,740.00CR | | 14,660.00CR | 3,080.00CR |

| FINANCIAL DETAILS | |
|-------------------------|-------------|
| ACH Ledger | AUD 0.00 |
| Carried Forward Balance | 0.00 |
| Initial Margin | 19,104.40CR |
| Utilised Collateral | 19,104.40CR |
| Cash to Cover Margins | 0.00 |
| Excess/shortage | 0.00 |
| ACH Ledger Excess | AUD 0.00 |

This confirmation is issued subject to the correction of errors and omissions
- End Of Statement -

This figure is the cost to close all options positions listed above. E.g. it would cost \$14,660 to close these positions. If the figure shows as a DR then that is the money you will receive.

Account has an excess of funds after margins are calculated so these funds are deposited back to your linked CMA. If this figure shows as a DR/shortage then the account is short funds and will be debited from your linked CMA.

This report outlines all open positions and the financial position of the account. As an options client you will receive this report daily only if you have open positions. Once all positions are closed, you will no longer receive this report until new positions are subsequently opened.

Current open position details

This report lists all current open positions on your account.

| | |
|----------------|---|
| Month | Month in which your open option position will expire (usually the third Thursday in the month) |
| Strike | Price at which you agreed you would buy/sell the stock if exercised/assigned |
| Buy | Quantity of options contracts you have bought. Each each standard contract equates to 100 shares |
| Sell | Quantity of options contracts you have sold. Each standard contract equates to 100 shares |
| Trade price | Price at which the options contracts traded (per contract) |
| Trade date | Date the options contracts were traded |
| Expiry date | Date the options contracts will expire |
| Traded value | Total dollar amount the options contracts were traded |
| Market price | A 'theoretical' current price of the options contract |
| Market value | Quantity of options contracts multiplied by the market price |
| Unrealised P/L | The difference between the traded value and the market value |
| Total | A credit balance is the cost to close all the positions. A debit balance is what you would receive if all positions were closed |

Financial details

This report lists all current open positions on your account.

| | |
|----------------------------------|--|
| Brought forward balance | Cash received/invested from the previous day's trading |
| Fees – registration standard | ACH options contract fees associated with the current trade |
| GST on fees | GST on the ACH fees |
| Premiums (Buy) | Total premium for the bought position traded that day i.e. trade price multiplied by the number of contracts traded |
| Premiums (Sell) | Total premium for the sold positions traded that day i.e. trade price multiplied by the number of contracts traded |
| Commissions – standard | Brokerage costs for the positions traded that day |
| GST on commissions | GST on the brokerage |
| Cash in/out | Cash movements in/out of the account from the previous day's trading (opposite entry from 'brought forward balance') |
| Cash in/out: carried fwd balance | The sub-total of all the above transactions |
| Initial margin | This is the amount of underlying risk calculated by the ASX associated with holding the current open positions |
| Utilised collateral | This is the amount of collateral being used to cover the initial margin |
| Cash to cover margins | Total cash required to cover the initial margin. Cash is required once all the collateral that has been lodged is used up |
| Excess/ Shortage | The carried forward balance plus the sum of the initial margin, utilised collateral and cash to cover margins |
| ACH ledger excess/ shortage | Reflects the excess/shortage highlighted above and if in excess will be deposited into the linked CMT and if in shortage will be withdrawn from the linked CMT |

Collateral Holdings Statement

This confirmation is issued subject to the Rules, directions, decisions and requirements of ASX, the Clearing Rules and the Settlement Rules and it is subject to the customs and usages of the market.

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| ID | Units | Cover Value AUD | Date Lodged | Expiry Date |
|-------------------------------|--------------------|--------------------|-------------|-------------|
| Shares | | | | |
| BHP - BHP Billiton Ltd | | | | |
| P0000000 | Shares | 2,000 | 53,032.00 | 02/08/18 |
| | Holder: | | 4558 | |
| | HIN: | | | |
| | Total Cover | 53,032.00 | | |

This confirmation is issued subject to the correction of errors and omissions.

- End Of Statement -

Stock that is lodged as collateral

Total cover is 70% of the value of the underlying shares

The collateral value ascribed by the ACH for each stock lodged as collateral can differ and can be adjusted at anytime by the ACH i.e. 70% may be the maximum applied

This report is sent to you at the end of the month and details the stock held as collateral.

Under the term "Holder" it will show the name of the first person to lodge that stock on the account.

Example: if multiple parties have lodged SXY on this account it will only show the first name and details.

| | |
|-----------------|--|
| ID | Identifies the shares, Holder and HIN. Note third party HINs will not be displayed |
| Units | Number of shares being held |
| Cover value AUD | The value ascribed by the ACH that can be counted as collateral to cover options margins (approx 0.7 x closing price of share) |
| Date lodged | The date the stock was lodged with the ACH |

Position Information Notice

PLEASE NOTE: Should you require assistance understanding this report, please visit <http://www.morgans.com.au/private-clients/Stockbroking/Options> then click on the link "Understanding Options Reports" or speak with your Adviser or Compliance Derivatives Officer on 1800 777 946

This confirmation is issued subject to the Rules, directions, decisions and requirements of ASX, the Clearing Rules and the Settlement Rules and it is subject to the customs and usages of the market.

Positions Exercised, Assigned and Expired

Following are details of positions that have been exercised, assigned or expired during the month.

| <u>Month</u> | <u>Strike</u> | <u>Buy</u> | <u>Sell</u> | <u>Trade Date</u> | <u>Trade Price</u> | <u>Reference</u> | <u>Activity</u> |
|---|---------------|------------|-------------|-------------------|--------------------|------------------|-----------------|
| Australian Stock Exchange | | | | | | | |
| DJS DJS Equity Options (100 Shares per lot; American style options) | | | | | | | |
| 27/03/ | Mar | Call | 3.40 | 700 | 17/02/ | 0.0300 | Expired |

- End Of Statement -

Report sent notifying of positions expiring

This report is sent to you five days before options expiry if you have open positions for that month.

You will receive this report at the end of the month. It shows all of the positions that have expired or been exercised on your account for the current month.

| | |
|-------------|--|
| Month | The month the position will expire (current month) |
| Strike | This is the strike price of the position |
| Buy | The quantity of bought options contracts |
| Sell | The quantity of sold options contracts |
| Trade date | The date the trade was originally executed |
| Trade price | The price at which the options contracts traded (per contract) |
| Activity | The result of that position, expired or exercised |

Current Account Statement

| Current Account Statement | | For the month of Mar 14 | | | | | |
|--|---|-------------------------|-----------------|------------|----------------|------------------|-----------------------|
| | | | | | | | Account: Currency: |
| <p><i>PLEASE NOTE: Should you require assistance understanding this report, please visit http://www.morgans.com.au/private-clients/Stockbroking/Options then click on the link "Understanding Options Reports" or speak with your Adviser or Compliance Derivatives Officer on 1500 777 946</i></p> <p><i>This confirmation is issued subject to the Rules, directions, decisions and requirements of ASX, the Clearing Rules and the Settlement Rules and it is subject to the customs and usages of the market.</i></p> | | | | | | | |
| Date | Description | Debit | Credit | Balance | Initial Margin | Collateral Cover | Excess/Shortage |
| ACH Ledger | | | | | | | |
| 01/03/14 | Brought Forward Balance | | | 0.00 | 0.00 | 0.00 | 0.00 |
| 06/03/14 | 50 NCM Mar14 12.00 Call @ 0.5100 Cisee | | 2,460.35 | 2,460.35CR | 0.00 | 0.00 | 2,460.35CR |
| 07/03/14 | Daily Settlement with RBS - Macquarie CMA 121852586 | 2,460.35 | | 0.00 | 0.00 | 0.00 | 0.00 |
| | TOTAL: | 2,460.35 | 2,460.35 | | | | |

This report is sent to you daily and updates with the previous days trades.

This statement is a running ledger of all transactions in your options account for the month.

| | |
|-------------------------------|--|
| Date | The date the transaction took place |
| Description | A short description of the transaction. Generally it will be comprised of one of the following: <ul style="list-style-type: none"> daily settlement with your linked CMA margin/collateral movement of your lodged collateral options transactions that you have undertaken. |
| Debit | This entry is clearing the cash from your options account and depositing it into your linked CMA |
| Credit | This entry is the income you have received into your options account |
| Balance | A running balance of the options account (debits and credits) |
| Initial margin | This is the amount of underlying risk calculated by the ASX associated with holding the current open positions |
| Collateral cover | This is the sum of the value of your shares and cash that is lodged with ACH |
| Excess/Shortage | This will be a credit (excess) if your collateral cover is more than your initial margin and you receive income from an option position. However, this will be a debit (shortage) if you need to pay for an option position or your collateral cover is insufficient to cover the initial margin |
| Brought forward balance | Balance brought forward from previous statement |
| Daily settlement with Morgans | This is the total of the daily settlements with your linked CMA which have resulted from cash movements to/from your CMA to cover margin requirements and/or funds for options trades done within the period. This shows a debit entry if it is a net flow of income out of your options account and into your CMA or a credit entry if it is a net flow of income into your options account from your CMA |
| Fees – registration standard | The total of the ACH options contract fees |
| GST on fees | GST on ACH fees |
| Premiums (Buy) | This is the sum total of the options you bought before costs are taken out for brokerage etc. |
| Premiums (Sell) | This is the sum total of the options you have sold before costs are taken out for brokerage etc. |
| Commissions – standard | Brokerage costs |
| GST on commissions | GST on brokerage costs |

Queensland

| | |
|---|-----------------|
| Brisbane | +61 7 3334 4888 |
| Stockbroking, Corporate Advice, Wealth Management | |
| Brisbane Edward Street | +61 7 3121 5677 |
| Brisbane Tynan Partners | +61 7 3152 0600 |
| Brisbane North Quay | +61 7 3245 5466 |
| Bundaberg | +61 7 4153 1050 |
| Cairns | +61 7 4222 0555 |
| Gladstone | +61 7 4972 8000 |
| Gold Coast | +61 7 5581 5777 |
| Holland Park | +61 7 3151 8300 |
| Kedron | +61 7 3350 9000 |
| Mackay | +61 7 4957 3033 |
| Milton | +61 7 3114 8600 |
| Newstead | +61 7 3151 4151 |
| Noosa | +61 7 5449 9511 |
| Redcliffe | +61 7 3897 3999 |
| Rockhampton | +61 7 4922 5855 |
| Springfield-Ipswich | +61 7 3202 3995 |
| Spring Hill | +61 7 3833 9333 |
| Sunshine Coast | +61 7 5479 2757 |
| Toowoomba Chalk Capital | +61 7 4639 1277 |
| Townsville | +61 7 4725 5787 |

Northern Territory

| | |
|--------|-----------------|
| Darwin | +61 8 8981 9555 |
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New South Wales

| | |
|---|-----------------|
| Sydney | +61 2 9043 7900 |
| Stockbroking, Corporate Advice, Wealth Management | |
| Sydney Margaret Street | +61 2 8215 5000 |
| Sydney Reynolds Securities | +61 2 9373 4452 |
| Sydney Currency House | +61 2 8216 5111 |
| Armidale | +61 2 6770 3300 |
| Ballina | +61 2 6686 4144 |
| Balmain | +61 2 8755 3333 |
| Bowral | +61 2 4851 5555 |
| Chatswood | +61 2 8116 1700 |
| Coffs Harbour | +61 2 6651 5700 |
| Cronulla | +61 2 8215 5079 |
| Gosford | +61 2 4325 0884 |
| Merimbula | +61 2 6495 2869 |
| Mona Vale | +61 2 9998 4200 |
| Neutral Bay | +61 2 8969 7500 |
| Newcastle | +61 2 4926 4044 |
| Orange | +61 2 6361 9166 |
| Port Macquarie | +61 2 6583 1735 |
| Scone | +61 2 6544 3144 |
| Wollongong | +61 2 4227 3022 |

Australian Capital Territory

| | |
|----------|-----------------|
| Canberra | +61 2 6232 4999 |
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Victoria

| | |
|---|------------------|
| Melbourne | +61 3 9947 4111 |
| Stockbroking, Corporate Advice, Wealth Management | |
| Brighton | +61 3 9519 3555 |
| Domain | +61 3 9066 3200 |
| Geelong | +61 3 5222 5128 |
| Hawthorn | +61 1300 382 075 |
| South Yarra | +61 3 9006 9955 |
| Southbank | +61 3 9037 9444 |
| Traralgon | +61 3 5176 6055 |
| Warrnambool | +61 3 5559 1500 |

Western Australia

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| West Perth | +61 8 6160 8700 |
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| Perth | +61 8 6462 1999 |

South Australia

| | |
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| Adelaide | +61 8 8464 5000 |
| Stockbroking, Corporate Advice, Wealth Management | |
| Exchange Place | +61 8 7325 9200 |
| Norwood | +61 8 8461 2800 |
| Unley | +61 8 8155 4300 |

Tasmania

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