

Options Account Application

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Product Disclosure Statement

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Exchange Traded Options

Version 2.1 – 4 November 2013

Part 1 – PDS Information

Important Information

The information contained in this document is general in nature and is not intended to constitute an investment recommendation or financial advice. This Product Disclosure Statement ('PDS') does not take into account your personal objectives, financial situation, risk profile and particular needs. Before trading in products referred to in this PDS, you should read this PDS and be satisfied that any trading you undertake in relation to those products is appropriate in view of your objectives, financial situation, risk profile and needs.

It is recommended that you consult your financial adviser and tax adviser to obtain other independent advice before trading in Exchange Traded Options. Any opinions expressed reflect Morgans' judgment at the date of this PDS and are subject to change at any time without notice.

Morgans Financial Limited ABN 49 010 669 726 is an Australian Financial Services Licensee (AFSL 235410), and a Participant of ASX Group.

Purpose of this PDS

This PDS has been prepared by Morgans Financial Limited ABN 49 010 669 726 ('Morgans', 'we', 'us', or 'our'), the issuer of the Exchange Traded Options ('ETOs') and Low Exercise Price Options ('LEPOs').

This PDS is designed to assist you in deciding whether the products covered in this PDS are appropriate for your needs and to assist you in comparing it with other financial products you may be considering. This PDS is an important document which should be retained for future reference and it is recommended that you contact your adviser should you have any questions.

This PDS should be read in conjunction with our Terms and Conditions a copy of which can be obtained by contacting your adviser or from our website at morgans.com.au under the Forms and Downloads section.

This PDS is current at the time of printing but may be amended from time to time. New or supplementary PDSs may be issued as a result of changes. For the most up to date version, please refer to our website at morgans.com.au under the Forms and Downloads section.

PDS in Two Parts

Morgans is a Participant of ASX Group and holds an Australian Financial Services Licence ('AFSL'). Morgans is a Clearing Participant of ASX Clear Pty Limited ('ASX Clear').

Morgans can help you to meet your financial objectives by providing a full range of investment and financial services. Backed by a large range of experience within our network and associated entities, our investment recommendations are based on our comprehensive market and financial knowledge. Our aim is to work with clients to determine, build and maintain personal investment strategies.

Our success is founded on the depth of knowledge and experience of our advisers, together with our strong research capability. Morgans has a reputation for being one of Australia's leading retail options brokers. Through our experience and high personal client service focus, we are able to demonstrate the benefit which options trading can add to your investment strategy.

Morgans is not a bank or an Authorised Deposit-taking Institute. For a full list of our branches and their contact details please refer to our website at morgans.com.au

Morgans services include:

- Internet access to account balances, open-positions, margin details, collateral, details and trading statements from our website at morgans.com.au
- Automatic sweep facility with your Cash Management Trust account provider
- Lodgement of collateral at ASX Clear for any Morgans sponsored holding
- The ability to sell calls over option exchange tradeable scrip held by our recommended margin lenders
- A large number of accredited derivatives advisers, and
- An experienced and efficient operating team.

If you would like to know more about the services Morgans can provide, please do not hesitate to contact your adviser or visit morgans.com.au or refer to our Financial Services Guide ('FSG') on our website under the Forms and Downloads section.

Establishing an options account

To establish a Morgans options account you are required to:

1. Read and understand the ASX publication 'Understanding Options Trading' and/or 'LEPOs – Low Exercise Price Options Explanatory Booklet' which we have provided or can be accessed on the ASX website.
2. Read the Options Client Agreement form (particularly the section which sets out the terms of your relationship with Morgans), which contains the Options PDS and specific Terms and Conditions applying to options.
3. Sign and return an Options Client Agreement Form together with the attached client profile information. ASX regulations prohibit Morgans from accepting orders from clients until we have received the signed Options Client Agreement form. If you wish to keep a copy for your records, please ask your adviser.
4. Open a Share Trading Account by completing the Share Account Application form.
5. Obtain Morgans CHESSE sponsorship and complete a Collateral Authorisation Form.
6. Open a Linked Cash Management Trust account to prevent any delays in settlement or the meeting of margin requirements. Morgans have a list of approved cash management facilities. Please speak to your adviser for details of the current approved providers. All settlements and margin calls must be facilitated within 24 hours.
7. Provide an e-mail address, for the delivery of trade confirmations and any other daily and monthly statements applicable to trading in options.
8. In regards to retail clients, complete and pass the Morgans Options Questionnaire.
9. If you have existing open option positions at another broker, you will need to provide us with a copy of the open positions, an options transaction history for a minimum of 12 months and a copy of any collateral you currently have lodged against those positions. Morgans will assess these positions and reserves the right not to accept any or all of those positions.

Should you have any queries, please do not hesitate to contact your adviser.

Morgans trading rules

Morgans imposes trading restrictions on its clients which limit the risk that we are willing to expose Morgans to. You agree to be bound by these trading rules and trade in accord with requests from your adviser.

Margin lending

Margin lenders impose restrictions on trading options within a margin lending account and you are required to adhere to these rules. Please refer to the written agreement that you signed with your margin lending provider for specific restrictions.

What are Options?

An option is a contract between two parties giving the buyer (taker) the right, but not the obligation, either to buy or to sell a parcel of shares at a specified price on (or before) a specified date (unless a European style exercise is used – see below).

There are two types of options traded on ASX: **call** options and **put** options. Call options give the buyer the right, but not the obligation, to buy the underlying shares, while put options give the buyer the right, but not the obligation, to sell the underlying shares.

For example, buying a Newscorp (NWS) October \$12.00 call option gives the buyer the right to buy 100 NWS shares for \$12 each, on or before the expiry date of the option in October. If the buyer exercises the option, the seller (writer) of this option must sell 100 NWS shares for \$12. At the time of the option transaction, the option buyer pays the option seller a premium, which is the cost of the option. Note that the buyer of the option

is not obligated to exercise the option. The buyer can sell the option before it expires, or alternatively let the contract lapse at expiry, but will forego the option premium.

For example, buying a Newscorp (NWS) January \$10.00 put option gives the buyer the right to sell 100 NWS shares for \$10 each, on or before the expiry date of the option in January. If the buyer exercises the option, the seller of this option must buy 100 NWS shares for \$10. At the time of the option transaction, the option buyer pays the option seller a premium, which is the cost of the option. As indicated above the buyer of the option is not obligated to exercise the option. The buyer can sell the option before it expires, or alternatively let the contract lapse at expiry, but will forego the option premium.

Exchange traded share options are options over quoted securities of a range of different companies listed on the ASX. Exchange traded index options are options over an index such as the S&P™/ASX200™ Index or the S&P™/ASX200™ Property Trust Index. A list of companies and indices over which ETOs are traded can be found on the ASX website at asx.com.au/options. Options have been traded in Australia on ASX since 1976. Further educational material and links to the ASX website can be found on the Learning Centre section of our website morgans.com.au/private-clients/Learning-Centre/Investment-Basics/Options.

ETOs and index ETOs may be American or European style exercise. The majority of ETOs are American options, which means they are tradeable and can be exercised at any time, prior to, or on the expiry day. European options, which include index options, are also tradeable, but can only be exercised on the expiry day and not before.

ETOs contracts are settled either with the physical delivery of stock as is the case with share options, or cash in the case of index options. With index options cash settlement occurs in accordance with the rules of ASX Clear against the Opening Price Index Calculation ('OPIC') as calculated on the index options expiry date.

Traders in options should have a good understanding of the mechanics of the two different types of options (call and put options), and the nature and extent of the risks, the rights and obligations associated with each.

ASX Clear oversees the clearing and day to day operations of ASX's Options Market. The ease of trading in and out of options on the ASX Options Market is assisted by the standardisation of the option contract components.

The five components of an option contract are as follows:

1. **Underlying securities/approved indices**
Options traded on ASX's Options Market are only available for certain securities and approved indices. These securities are referred to as 'underlying securities' or 'underlying shares'. They must be listed on ASX and are selected by ASX Clear according to specific guidelines. Calls and puts over the same underlying security are termed 'classes' of options.
2. **Contract size**
On ASX's Options Market, an option contract size is standardised at 100 underlying shares. That means, one option contract represents 100 underlying shares. This may change if there is an adjustment such as a new issue or a reorganisation of capital in the underlying share. In the case of index options, contract value is fixed at a certain number of dollars per index point (for example, \$10 per index point). The size of the contract is equal to the index level x the dollar value per index point (for example, for an index at 3400 points, one contract would be $3400 \times \$10 = \$34,000$).
3. **Expiry day**
Options have a limited lifespan and expire on standard expiry days set by ASX Clear. The expiry day is the day on which all unexercised options in a particular series expire and is the last day of trading for that particular series. For shares, this is usually the Thursday before the last Friday in the month. For index options, expiry is usually the third Thursday of the contract month. However, ASX Clear has

the right to change this date should the need arise. In general, all options for a particular class follow one of the three quarterly cycles listed below:

January/April/July/October

February/May/August/November, or

March/June/September/December.

Options are usually listed for the next three months in the quarterly expiry cycle. For example, assume it is now June 2011 and ANZ follows the January, April, July, October expiry cycle. There would be currently listed a July 2011, an October 2011 and a January 2012 series. When the July series expires, an April 2012 series will be listed. When the October 2011 series expires, a July 2012 series will be listed and so on. In addition to quarterly expiry cycles, where there is sufficient demand, a current or spot month is also available for most classes of options.

The top ten shares by options volume also have a twelve month expiry cycle listed to provide a longer time frame for investors. There are also longer term option contracts listed over certain classes, some with terms of up to five years. For more information on these types of options, please ask your adviser.

4. Exercise (or strike) price

The exercise price is the predetermined buying or selling price for the underlying shares if the option is exercised. ASX Clear sets the exercise prices for all options listed on ASX's Options Market.

Usually there is a range of exercise prices available for options with the same expiry date. New exercise prices are listed as the underlying share price moves. Typically, the range of exercise prices includes one exercise price close to the current price of the underlying share with two exercise prices above and two exercise prices below the current share price.

For example, if the underlying share is trading at \$3.50, it is likely that option contracts with the following strike prices would be listed: \$3.00, \$3.25, \$3.50, \$3.75 and \$4.00. A range of exercise prices allows you to more effectively match your expectations of the price movement in the underlying share to your option position. Exercise prices may also be adjusted during the life of the option if there is a new issue or a reorganisation of capital in the underlying shares.

5. Premium

The premium is the price of the option which is arrived at by negotiation between the buyer and the seller of the option. It is the only component of the five option components that is not set by ASX or ASX Clear.

Option premiums are quoted on a cents per share basis. To calculate the full premium payable for a standard size option contract, multiply the quoted premium by the number of shares per contract (usually 100).

For example, a quoted premium of 16 cents represents a total premium cost of \$16.00 ($\0.16×100) per contract. To calculate the full premium payable for an index option, you simply multiply the premium by the index multiplier. For example, a premium of 30 points, with an index multiplier of \$10, represents a total premium cost of \$300 per contract.

Factors Affecting Option Premium

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

For exchange traded options, market expectations and ultimately, the pressures of supply and demand determine the value of options.

Dividends and voting

The buyer of the call option or the seller of a put option does not receive dividends or have voting rights on the underlying shares. Option information can be monitored on the ASX website, asx.com.au, or in the Australian Financial Review newspaper.

Low Exercise Price Options ('LEPOs')

LEPOs are call options with an exercise price of one cent. When you buy a share LEPO, you obtain the right to buy an agreed number of shares (100 shares per contract) at a specified future date, in return for the payment of the exercise price (1 cent) and a premium. Index LEPOs are also available. The seller of a LEPO undertakes to sell the underlying securities at expiry in return for the exercise price and the premium amount at which the LEPO originally traded.

LEPOs allow investors to profit from movements in the underlying security 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 securities outright or, for sellers, short selling securities.

An important feature of LEPOs is that both the buyer and the seller 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 and pay or receive the balance of the premium if and when you exercise the LEPO. LEPOs are European style options, which mean they are only exercisable at expiry.

Margins

What are margins? A margin is the amount calculated by ASX Clear as necessary to cover the risk of financial loss on an options contract due to an adverse market movement. Simply put, the minimum level of cover required to cover margin obligations is the liquidation value of your option contracts.

If you write (sell) an option contract, you have a potential obligation to the market because the taker (buyer) of the option may exercise their position. A margin is an amount that is calculated by ASX Clear using SPAN margining as necessary to ensure that you can meet that obligation. Margin obligations may arise from:

1. written call option contracts over specific stocks or the index (XJO)
2. written put option contracts over specific stocks or the index (XJO)
3. both taken and written LEPO positions.

ASX Clear calculates margins on a daily basis, taking into account (amongst other factors) the volatility of the underlying security. They may, from time to time, call for intra-day margins or amend the margin intervals on open positions, even if the underlying does/does not go against you i.e. the ASX could increase margin requirements at anytime and at short notice. The total margin for an ETO is made up of two components:

1. **The premium margin** 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 option position.

For example, if an option is valued at \$0.35 at the close of business on day 1, the premium margin component of the total margin requirement the following day would be \$35 per contract. At the end of day 2, if the option is valued at \$0.45 the premium margin component of the total margin requirement the following day would be \$45 per contract. At the end of day 3, if the option is valued at \$0.40, the premium margin component of the total margin requirement the following day would be \$40 per contract.

2. **The SPAN risk margin** covers the potential change in the price of the option contract, assuming the maximum probable adverse movement in the price of the underlying or a shift in option pricing volatility.

Risk margin comprises a short option minimum, intra-commodity spread and inter-commodity concession as well as the scanning risk component. In its simplest form, SPAN can be considered as a risk based portfolio approach system for calculating initial margin requirements. SPAN uses risk arrays (parameters), which are a set of numeric values that specify if a particular contract will gain or lose value under different conditions (risk scenarios). The value for every risk scenario symbolises the gain or loss for that contract for a certain combination of volatility change, price (or underlying price) change, and decrease in time to expiration.

If you have a number of option positions open, the ASX Clear will evaluate the risk associated with your entire options portfolio and calculate your total margin obligation accordingly. There is a possibility that some option positions may offset others, leading to a reduction in your overall margin obligation if each position was margined in isolation and then totalled.

Morgans will require you to provide cash or collateral to cover your margin obligations. While the minimum margin requirements are set by ASX Clear, Morgans reserves the right in its reasonable discretion having regard to market factors and your personal financial situation to impose higher margin requirements at any time.

For more detail on margins, please refer to the ASX Understanding Margins booklet on the Morgans website under Learning Centre/Options.

Payment of margins

Margins are recalculated on a daily basis to ensure an adequate level of margin cover is maintained. This means that you may have to increase your level of margin cover if the market moves against you, or your margins may be reduced if the market moves in your favour. Morgans are required to call these margins under ASX Operating Rules. Settlement requirements for trading options are strict. You must pay any margin calls by the time stated in the Options Client Agreement. Under ASX Operating Rules, this can be no longer than 24 hours after being advised of the margin call by Morgans.

If you do not meet your margin call in time, Morgans may take action to close out your positions without further reference to you.

Collateral

ASX Clear accepts cash and a range of collateral to cover an investor's margin obligations. Collateral can be used to cover margins for options and risk margins for LEPOs. Cash is used to purchase options or to cover mark-to-market margins for LEPOs.

ASX Clear may withdraw a security from the list of acceptable collateral and you will be required to submit alternative collateral or cash to cover your margin obligations. This may occur at short notice and is outside the control of Morgans. Shares bought using margin lending accounts may be eligible as collateral for written call option strategies.

If you would like to use collateral to cover your margin obligations, you should discuss this with your adviser.

Details of eligible collateral are published on the ASX website at asx.com.au/products/acceptable-collateral.htm or go to the Learning Section of our website morgans.com.au/private-clients/Learning-Centre/Investment-Basics/Options and follow the link to the ASX website.

Benefits of Options Ownership

The benefits of options ownership include:

1. Risk management

Bought put options allow you to hedge against a possible fall in the value of shares you hold. This can be considered similar to taking out insurance against a fall in the share price.

2. Time to decide

By buying a call option, the purchase price for the shares is locked in. This gives the call option holder until the expiry day to decide whether or not to exercise the option and buy the shares. Likewise the buyer of a put option has time to decide whether or not to sell the shares.

3. Speculation

The ease of trading in and out of an option position makes it possible to trade options with no intention of ever exercising them. If you expect the market to rise, you may decide to buy call options. If expecting a fall, you may decide to buy put options. Either way you can sell the option prior to expiry to take a profit or limit a loss.

4. Leverage

Leverage provides the potential to make a higher return from a smaller initial outlay than investing directly. However, leverage usually involves more risks than a direct investment in the underlying shares. Trading in options can allow you to benefit from a change in the price of the share without having to pay the full price of the share.

5. Diversification

Options can allow you to build a diversified portfolio for the same or even lower initial outlay than purchasing shares directly.

6. Income generation

You can earn extra income over and above dividends by selling call options against your shares. By selling an option you receive the option premium up front. For sold calls you get to keep the option premium, there is a possibility that you could be assigned and have to deliver your shares to the buyer of the option at the exercise price. For sold puts, while you receive the option premium up front, you may be assigned at the exercise price and therefore buy the underlying shares. With sold calls or sold puts on Indices, cash settlement occurs should the position finish in the money at expiry.

7. Options Strategies

By combining different options, or stock with options, you can create a wide range of strategies.

Various option strategies (e.g. covered calls, sold puts, bull put spreads, etc.) can be implemented depending on a clients investment strategy, risk tolerance and experience. Each strategy has its own inherent risk and may be more appropriate under different market conditions. For more detail regarding specific option strategies, please refer to the ASX Options Strategies booklet located on the Morgans website under Learning Centre/Options morgans.com.au/private-clients/Learning-Centre/Investment-Basics/Options or alternatively go to the ASX website asx.com.au/products/equity-options/strategies.htm. Before implementing any option strategy you should discuss appropriateness of them with your adviser.

Benefits of LEPO ownership

When you open a LEPO contract you gain exposure to the full value of the underlying securities but actually pay only a fraction of the full premium of the LEPO up front. This potentially provides a greater return to the investor but also means LEPOs have a higher risk profile.

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. However, the advantage of the LEPO position is that it can be established more easily and at lower cost than short selling a stock. Using a LEPO can also be a cost-effective alternative to borrowing to fund a purchase of shares.

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. LEPOs are European style options, meaning they are only exercisable at expiry.

Risks of Options Ownership

Trading in derivatives is only suitable for some investors. In light of the risks associated with trading ASX derivative products, you should invest in them only if you understand the nature of the products (specifically, your rights and obligations) and the extent of your exposure to risk. Before you invest, you should carefully assess your experience, investment objectives, financial resources and all other relevant

considerations and discuss these with your adviser. You should not rely on this Product Disclosure Statement as a complete explanation of the risks of investing in ASX derivative products.

The purchaser of an ETO, whether it is a call option or a put option, has a known and limited potential loss. If a purchased option expires worthless, the purchaser will lose the total value paid for the option (known as the premium), plus transaction costs.

Selling ('writing') options may entail considerably greater risk than purchasing options. The premium received by the seller of an ETO is fixed and limited, however the seller may incur losses significantly greater than that amount.

The value of an ETO will depend on a range of factors, particularly the following:

1. Market risks

A range of factors affects the market value of options. They may fall in price or become worthless on or before expiry. Changes in the price of the underlying security may result in changes to the price of an option, but the change can sometimes be in a different direction or of a different magnitude to the change in the price of the underlying security.

2. Options are a wasting asset

Options have an expiry date and therefore a limited life. An option's time value erodes over its life and this accelerates as an option nears expiry. It is important to assess whether the options selected have sufficient time to expiry for your market views to be realised.

3. Effect of 'Leverage' or 'Gearing'

The initial outlay of capital may be small relative to the total contract value with the result that options transactions are 'leveraged' or 'geared'. A relatively small market movement may have a proportionately larger impact on the value of the contract. This may work against you, or for you. The use of leverage can lead to large losses as well as large gains.

4. Option sellers face potentially unlimited losses

Selling options may entail considerably greater risk than buying options. The premium received by the seller is fixed and limited; however the seller may incur losses significantly greater than that amount. The seller who does not own the underlying securities or have offsetting option positions has a potentially unlimited loss position and potential profits and losses can be much greater than the money initially outlaid.

5. Margin calls

You may lose the total amount of margin funds deposited with your broker in relation to your positions. Your liability in relation to a written option contract is not limited to the amount of the margin paid to you. If the market moves against your position, or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position, or upon settlement of contracts. If you fail to comply with a request for additional funds within the time prescribed, Morgans may close out your positions and you will be liable for any loss that might result.

6. Illiquidity and Pricing Relationships

Market conditions may increase the risk of loss by making it difficult or impossible to effect transactions or close out existing positions. Normal pricing relationships may not exist in certain circumstances, for example, in periods of high buying or selling pressure, high market volatility or illiquidity in the market for a particular option series.

7. Risk-Reducing Orders or Strategies

The placing of orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as 'spread' and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

8. Suspension or Restriction of Trading and Pricing Relationships

Market conditions or actions by ASX or ASX Clear may increase the risk of loss by making it difficult or impossible to effect transactions or close out existing positions.

ASX and ASX Clear have broad powers under the ASX Operating Rules and ASX Clear Operating Rules to take action in the interests of maintaining fair and orderly markets, or providing services in a fair and effective way and, in some circumstances; this may affect your positions.

Similarly, regulatory authorities such as the Australian Securities and Investment Commission (ASIC) may direct the ASX or ASX Clear to suspend or cease dealing in certain products, and this may affect your positions. These powers include the ability to suspend trading, impose position limits or exercise limits, and terminate open contracts.

9. Terms and Conditions of Contracts

Under certain circumstances the specifications of outstanding contracts may be modified by ASX or by ASX Clear. The extent to which you may recover money or property is governed by the Corporations Act 2001 and other legislation and rules. In certain circumstances you may have a claim against the National Guarantee Fund.

10. Trading Facilities

As with all trading facilities and systems, the systems used in the market are vulnerable to temporary disruption or failure. This may result in your order not being executed in accordance with your instructions or not being executed at all.

11. Trading disputes

The client indemnifies Morgans, its directors, officers, agents, employees and Authorised Representatives from actual or potential loss, cost expense, or damage suffered as a result of a system failure caused by any default by the client under the agreement or the Client Agreement Terms or from anything lawfully done by Morgans pursuant to the agreement or the Client Agreement Terms. This indemnity will not apply to the extent that any loss, damage, cost or expense was caused by Morgans' breach of duty in law or equity, fraud or wilful misconduct, or where the loss or costs incurred by Morgans were not caused by the Client, or where the loss could have been avoided or mitigated by Morgans. Save for any liability which cannot be excluded, including consumer rights under the *Australian Consumer Law*, we will not be liable for any damages, loss, costs, or expenses of any kind suffered or incurred by the client or any other person directly or indirectly through the client's dealings with Morgans except in respect and to the extent of any breach of duty in law or equity, fraud or wilful misconduct by Morgans or any claim which under any applicable law it is not lawful to exclude as a result of or arising out of or in connection with:

- any breach of the agreement, the Client Agreement Terms, the ASX Operating Rules, the ASIC Market Integrity Rules, the ASX Clear Operating Rules or the Corporations Act by the client or any person purporting to act on behalf of the client including, but not limited to, a breach in respect of which any party may exercise a right to terminate the agreement or the Client Agreement Terms;
- any misinterpretation of any information provided by Morgans relating to a transaction entered into or proposed to be entered into by the client or Morgans under the agreement or these Terms
- misinterpretation of any information, directions or instructions which the client or any person purporting to act on behalf of the client may have given or claimed to have given to Morgans in relation to any transaction
- any Exchange Traded Options or relationship established under the agreement or the Client Agreement Terms or any conduct

relating to such a contract or relationship, and

- e. any delay or error in the transmission or execution of any order or instructions given or placed by or for the client.

Corporate activity in underlying stock

You should be aware that all options transactions on ASX are subject to the rules, procedures and practices of ASX and ASX Clear, and the ASIC Market Integrity Rules. Under the ASX Operating Rules, certain trading disputes between market participants (e.g. errors in traded prices that do not relate to fair market or intrinsic value) may lead to ASX cancelling or amending a trade. In these circumstances client consent is not required to cancel the trade.

12. Corporate activities in underlying stock

Where corporate activity (e.g. takeover, bonus issue, rights issue etc.) occurs in the underlying stock, this may have an effect on open option positions over that stock. Morgans has no control over the effect of the corporate activity on open option positions and cannot foresee the specific risk or outcome as this is determined by ASX at the time of the corporate activity in question.

Risks of LEPO Ownership

LEPOs are subject to all of the risk factors that affect an ETO. However, as LEPOs have a low exercise price, the full premium amount will be closer to the full value of the underlying instrument than a standard ETO. Although the buyer of a LEPO may only be required to outlay a relatively small amount of money as margins when the LEPO is entered into, at expiry, if the buyer of a LEPO does not exercise the LEPO, they will lose an amount approximately equal to the then current premium of the LEPO.

LEPOs are leveraged investments and potential profits and losses can be greater than the money initially outlaid. Both buyers and sellers of LEPOs are required to pay margins to ASX Clear.

Pricing of Options

You can find out the price of an option by contacting your Morgans adviser. Option codes and prices are also available in the options section of the ASX website at asx.com.au. Details of the previous day's trading are published in summary form in the Australian Financial Review. When considering an option, it is important to understand how the premium is calculated. Option premiums change according to a range of factors including the price of the underlying security and the time left to expiry. An option premium can be separated into two parts: intrinsic value and time value. Different factors influence intrinsic and time value.

Intrinsic value

Intrinsic value is the difference between the exercise price of the option and the market price of the underlying shares at any given time.

Time value

Time value represents the amount you are prepared to pay for the possibility that the market might move in your favour during the life of the option.

Time value is influenced by the following factors:

- time to expiry
- market volatility
- interest rates
- dividend payments
- market expectations.

Time to expiry

As time draws closer to expiry, and the opportunities for the option to become profitable decline, the time value declines. This erosion of option value is called time decay. Time value does not decay at a constant rate, but becomes more rapid towards expiry. As a general guide, an option will lose 1/3 of its time value during the first half of its life and 2/3 during the second half.

The amount of time value will depend on whether the option is in-the-money, at-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, 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. A call option is said to be at-the-money where the exercise price equals the share price. A call option is said to be 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. A put option is said to be at-the-money where the exercise price equals the share price. A put option is said to be out-of-the-money where the exercise price is less than the share price.

Volatility

Volatility is one of the most important factors in an option's price as it measures the amount by which an underlying asset is expected to fluctuate in a given period of time. Volatility significantly impacts the price of an option's premium and heavily contributes to an option's time value. In basic terms, volatility can be viewed as the speed of change in the market. The higher the volatility, the more chance an option has of becoming profitable by expiration. That's why volatility is a primary determinant in the valuation of options' premiums.

In general, the more volatile the market, the higher the premium will be. This is due to the fact that the seller is exposed to a greater probability of incurring a loss. Sellers are compensated for this added risk by receiving higher premium income.

Interest rates

A rise in interest rates will push call option premiums up and put option premiums down.

Dividend payments

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. Holders of option contracts who do not own the underlying securities are not eligible for dividends payable on those shares.

Market expectations

Ultimately, supply and demand determine the market value of all options. During times of strong demand, premiums will be higher.

Dispute Resolution

If you are not happy with the service you receive from us, you are entitled to complain. Morgans have established procedures in place to ensure that all enquiries and complaints are properly dealt with.

To save yourself valuable time, gather all the facts and documents about the complaint, think about the questions you want answered and decide what action you want us to take. The following process has been established to address your concerns as quickly as possible:

Contact your Morgans adviser or their immediate superior and explain the problem. Most issues can be resolved quickly in this way.

If you are unable to resolve the issue within 3 days, please contact the Complaints Officer on (07) 3334 4888 or send your details in writing to:

GPO Box 202
Brisbane Qld 4001

If we are unable to resolve the matter to your satisfaction, you can refer your case to a free and independent complaint handling body. Morgans is a member of:

Australian Financial Complaints Authority (AFCA)
GPO Box 3
Melbourne Victoria 3001

AFCA can be contacted on 1800 931 678

For complaints above the AFCA monetary limit you can also contact the ASX Complaints Officer (PO Box H224, Australia Square, Sydney, NSW 1215).

Additionally, ASIC operates an infoline on 1300 300 630.

You should notify Morgans if you require assistance with making a

complaint because of a disability or language barrier.

若因殘障或語言障礙需要投訴幫助，敬請通知我們。

بحاجة للمساعدة في تقديم شكوى بسبب إصابتك بإعاقة أو لديك عائق لغوي
يرجى إعلامنا إذا كنت

若您要投訴，但因殘障或語言問題需要協助，請知會我們。

Vui lòng thông báo cho chúng tôi biết nếu quý vị cần trợ giúp để khiếu nại vì tình trạng khuyết tật của mình hoặc vì bất đồng ngôn ngữ.

Compensation arrangements

We are required by the Corporations Act 2001 and ASX Operating Rules to have adequate compensation arrangements in place. Morgans have a comprehensive Professional Indemnity insurance policy to cover claims in relation to the conduct of Authorised Representatives/employees.

National Guarantee Fund

The National Guarantee Fund (NGF) provides investors with protection in the following circumstances:

1. If a stock option is exercised, the NGF guarantees completion of the resulting trades in certain circumstances; and
2. If you have entrusted property to Morgans in the course of dealing in options, and Morgans later becomes insolvent, you may claim on the NGF, in accordance with the rules governing the operation of the NGF, for any property which has not been returned to you or has not otherwise been dealt with in accordance with Morgans' obligations to you. There are limits on claims to the NGF for property entrusted.

For more information on the possible protections offered by the NGF see segc.com.au.

Privacy

We are committed to maintaining your privacy and ensuring the security of your information. A copy of our Privacy Policy is available from your adviser or from our website at morgans.com.au.

Taxation Implications

Taxation issues will vary for each investor and will depend on your individual circumstances and trading strategies you adopt. You should take taxation implications into consideration when you are investing in options, just as you would when investing in shares.

Some of the issues that may be relevant include:

- Are you classified as a trader, as a speculator or as a hedger?
- Is an option trade on revenue account or on capital account?
- Are there timing issues, for example when an option position is opened in one tax year and closed in the next tax year?
- Where an option strategy is in place around the time a stock goes ex-dividend, are you in danger of not satisfying the 45-day Holding Period Rule and therefore being disqualified from receiving the franking credits attached to the dividend?
- Could the exercise of an option position crystallise a taxation event for the underlying shareholding?

This is by no means a comprehensive list of the taxation issues of options trading. It is therefore important to discuss your taxation situation with your Tax adviser or accountant, to ensure that any options trades you enter will not have adverse taxation implications, particularly if the assumption is that any premiums received or paid and resulting profits or losses have potential capital gains tax (CGT) implications.

Please refer to the ASX website at asx.com.au/products/equity-options.htm to locate a booklet on the **Taxation Treatment of Options**.

Part 2 – Schedule of Fees

Costs of trading options

When you trade an option, the value of the trade is generally lower than if you were to trade the same number of the underlying shares. Because of

this, options are generally a cost efficient way to trade your view of a stock. The summary of costs involved in trading an option is outlined below:

1. Government Taxes

GST will be charged on all brokerage and fees at the rate of 10%. This has been included in all fees stated in the PDS.

2. Brokerage

Brokerage is payable by you when Morgans buy or sell exchange traded options on your behalf on a sliding scale subject to a minimum of \$82.50:

Premium Value	Brokerage
\$0 - \$5,000	2.75%
\$5,001 - \$15,000	2.20%
\$15,001 +	1.65%

The brokerage charged by Morgans for LEPO's is 0.5% of the Premium Value subject to a minimum of \$82.50. A different rate of brokerage may be negotiated with your adviser. Consideration will be given to a negotiated rate and could for instance, be dependent on the volume and size of option transactions that occur on your account. All brokerage charges are shown on your Confirmation/Contract Note.

3. Adviser Commissions

Morgans advisers are remunerated by way of salary and/or a percentage share of commissions earned by Morgans from business written by the adviser. The exact split of commissions, brokerage and fees varies based on a number of factors. Commission based advisers may receive between 0% and 50% of all commissions received over and above the first \$25 per options transaction. In relation to exchange traded options, this would be after any third party fee is deducted. A Register of alternative remuneration is maintained by Morgans to record any such remuneration given or received from representatives and AFS Licensees. The Register is available for inspection on request by the public and a copy will be provided within 7 days.

4. ASX Clear fees

ASX Clear charges a transaction fee of \$0.143 per share option contract, including GST. If you exercise or are assigned a share option, ASX Clear charges an exercise fee of \$0.55 per contract, including GST. In the case of index options, ASX Clear charges \$0.45 per contract including GST, for both the transaction fee and the exercise fee. These fees are subject to change by the ASX at any stage.

5. Stamp duty

No stamp duty is payable on option transactions or securities transactions arising from options exercise.

6. Impact on returns from applicable charges

Charges relating to brokerage including GST and ASX fees will impact the potential returns or losses, on trading options. They can increase potential losses and decrease potential returns. For clients undertaking multiple legs, as part of the option strategies being implemented, applicable charges will likely apply to each leg of the strategy thus magnifying the costs involved. As an example, if the minimum brokerage charge is \$82.50 plus \$0.143 ACH fees per options contract and your options strategy involves you selling (writing) a put and buying a put at the same time, the brokerage cost would be a minimum of \$165 (not \$82.50) plus \$0.286 in ACH fees.

Exchange Traded Options

Morgans Limited (ABN 49 010 669 726 AFSL 235410) is referred to as 'Morgans' and signatories of the Morgans Financial Limited Exchange Traded Options Client Agreement is referred to as 'the Client' in this agreement.

Pursuant to the Operating Rules of ASX Limited (ASX), the ASX Clear Operating Rules & Procedures, and the ASIC Market Integrity Rules, Morgans is required to enter into a client agreement with each of their clients. Unless the client is a Professional Investor (as defined by the Operating Rules of the ASX), the client must sign the Morgans Financial Limited Options Client Agreement Terms to indicate compliance with both the terms of this agreement and the Morgans Product Disclosure Statement prior to Morgans accepting an order to enter into a transaction in relation to Exchange Traded Options on the ASX.

Morgans agrees to conduct transactions on behalf of the Client on the following Terms:

The Client's attention is drawn to important limitation of liability provisions contained in clause 23 of this agreement.

1. Application of Rules

The Client and Morgans are bound by the Operating Rules of ASX Limited ('ASX'), the ASIC Market Integrity Rules, the ASX Clear Operating Rules and Procedures, the *Anti-Money Laundering and Counter Terrorism Financing 2006*, the *Corporations Act 2001* and the Procedures, customs, usages and practices of ASX or other Approved Market Operator and their related entities, as amended from time to time, in so far as they apply to Exchange Traded Options for the Client.

2. Explanatory Booklet (retail investors, that is, non-professional investors)¹

- 2.1 The Client acknowledges having received, read and understood a copy of the current ASX Understanding Options Trading booklet published by ASX in respect of Exchange Traded Options and client information.
- 2.2 Where the Client is the trustee of a SMSF, the Client acknowledges that:
 - a trustees seeking to invest in ETOs must ensure that appropriate strategies are adopted for the SMSF
 - b the trustees have informed themselves on the guidelines provided by the Australian Taxation Office or other regulatory bodies on the use of ETOs within the SMSF, and
 - c they will read the information sent to them by Morgans for the use of ETOs in a SMSF and will contact Morgans if they require further information or explanation of this information.

¹ Refer to clause 34 for the definition of Professional investor and SMSF.

It is important that you understand how Exchange Traded Options work and the risks associated. Please ask your adviser if there is anything that you do not understand.

3. Product Disclosure Statement (retail investors, that is, non-professional investors)

By signing this agreement the Client acknowledges that:

- a they have received, read and understood the Morgans Exchange Traded Options Product Disclosure Statement
- b they have received, read and understood the documents (if any) given to them under Clearing Rule 7.1.1(b)
- c dealing in Exchange Traded Options incurs a risk of loss as well as a potential for profit, and
- d they have given consideration to their objectives, financial situation and needs and have formed the opinion that dealing in Exchange Traded Options is suitable for their purposes.

4. Authority

The Client acknowledges that they are either:

- a acting as principal, or
- b acting as an intermediary on another's behalf and are specifically authorised to transact Exchange Traded Options by the terms of:
 - i an Australian Financial Services Licence held by the Client, or
 - ii a trust deed (if the Client is a trustee), or
 - iii an agency contract.

5. Information provided by Morgans

- 5.1 Morgans must give the Client any information (including updates to the relevant explanatory booklet, Trade Confirmations and Monthly Statements) that Morgans is required to give the Client under the Rules, or *Corporations Act*.
- 5.2 Morgans does not warrant the accuracy or completeness of information in the ASX or equivalent Understanding Options Trading explanatory booklet.

6. Information provided by the Client

- 6.1 The Client must provide Morgans with contact details in accordance with the Options Client Agreement Forms (attached to this agreement) to enable Morgans to make calls and deliver any notices in connection with this agreement and obtain the Client's instructions.
- 6.2 The Client must promptly notify Morgans in writing of any new information or changes to the information with regards to Client Details and their personal financial information to enable Morgans to make calls to the Client and deal with the account and Client instructions in an efficient and effective manner. Any such change will not take effect until written notice of the change has been received by Morgans. The Client acknowledges that failure to notify changes to the information and contact details may mean there are limitations on the appropriateness of any recommendations made to the Client.
- 6.3 Morgans will treat information that it possesses concerning the Client as confidential and in accordance with its privacy policy, a copy of which is available at morgans.com.au. In particular, the Client acknowledges that Morgans may provide information concerning the Client to ASIC, ASX, ASX Clear or related entities in the ASX group as required by the Rules, or may make any other disclosure of the Client's personal information as required by law.
- 6.4 The Client will take all reasonable steps to deliver information or documentation to Morgans, or cause information or documentation to be delivered to Morgans concerning Exchange Traded Options which are requested by a person having the right to request such information or documentation. Morgans is authorised to produce the information or documentation to the person making the request.

7. Disclosure of your investment needs and financial position

- 7.1 The Client acknowledges and agrees that:
- full disclosure of the Client's investment objectives, financial position and particular needs ('Disclosure') has been requested by Morgans
 - if the Client does not make a full Disclosure as requested, the failure to do so may impair the Client's rights under the law and Morgans' recommendations and obligations will be limited accordingly, and
 - if the Client does not make a full Disclosure, the Client must make their own decision on whether the Exchange Traded Options or product suits their needs. In these circumstances, Morgans will not be liable for any advice given if the Exchange Traded Options or product does not suit the Client's needs.

8. Client instructions

- 8.1 Subject to sub-clauses 8.2 and 8.7, if the Client wishes Morgans to enter into or exercise Exchange Traded Options on its behalf pursuant to this agreement, the Client must notify Morgans of its instructions either in writing, or with the agreement of Morgans, orally.
- 8.2 The Client acknowledges that Morgans will automatically exercise on expiry day any Exchange Traded Option in the Client's Account which is \$0.005 or more in the money at expiry by reference to the reference prices disseminated by ASX Clear in the Derivatives Clearing System, unless the Client instructs Morgans not to exercise the Option prior to 4.30pm on expiry day.
- 8.3 Subject to sub-clause 8.6, Morgans will use its reasonable endeavours to give effect to the Client's instructions, but Morgans will not be responsible for failure to give effect to, or for delays or errors in giving effect to, the Client's instructions that are not within Morgans' control.
- 8.4 Morgans is entitled to rely on any documentation or communication which it reasonably believes to be a notification or an oral communication from the Client under sub-clause 8.1 without further enquiry, or until advised.
- 8.5 Where the Client is:
- more than one person, the Client acknowledges and agrees that Morgans is entitled to act on the instructions of any one of the persons, in addition to any persons specifically nominated as authorised to deal on the account in the Client Details (see Schedule 2 of Options Client Agreement Forms – attached to this agreement)
 - a corporation, the Client acknowledges and agrees that Morgans can act on behalf of the Client on instructions from any director or secretary of the Client for the time being and any person whose name appears in the Client Details as a director or secretary of the Client, in addition to any persons specifically nominated as authorised to deal on the account (see Schedule 1 of Options Client Agreement Forms attached to this agreement). The Client agrees to be bound by any instructions provided to Morgans by any officer, employee or other person authorised by the Client pursuant to this agreement.
- 8.6 The Client acknowledges that Morgans may at any time refuse to deal in, or may limit dealings or positions in, Exchange Traded Options for the Client. Morgans will notify the Client of any refusal or limitations as soon as practicable. This may be done by telephone or in writing. Without limiting this clause, Morgans may refuse to enter into an Exchange Transaction until it receives funds or security required under clause 20.
- 8.7 Morgans may acting reasonably but in its absolute discretion cancel trades pursuant to or as contemplated by the Rules, procedures,

customs, usages and practices of ASX and its related entities (including without limitation Rules placing obligations on Participants to maintain an orderly market) or another Approved Market Operator, without the consent of the Client.

9. Where the Client is more than one person

- 9.1 If more than one person constitutes the Client then they are jointly and severally bound by the terms of this agreement.
- 9.2 If the Client is a trustee, the trustee is bound in its capacity as trustee. Successors are bound by the terms of this agreement.
- 9.3 If the Client is a corporation, the Client must specify in Schedule 1 of the Options Client Agreement Forms (attached to this agreement) any officer or employee who is authorised to place Exchange Transactions with Morgans for Exchange Traded Options on behalf of the Client. The Client may only revoke any authority by prior written notice received by Morgans.

10. Appointment of agent

The Client agrees that it may only appoint an agent to in any way act in relation to this agreement by informing Morgans in writing, either by completing Schedule 2 of the Exchange Traded Options Client Agreement Forms (attached to this agreement) or in a form acceptable to Morgans. In the event that the Client appoints an agent, the Client agrees to be bound by any instructions, statements or actions taken by the agent in relation to this agreement. Any revocation of an agent's authority to act in relation to this agreement must be in writing and received by Morgans before taking effect.

11. Licensing of intermediaries dealing in share ratio contracts (if relevant)

If required by the *Corporations Act*, the Client acknowledges that they hold an AFSL and will comply with restrictions on dealings in Exchange Traded Options.

12. Nature of Clearing Participant's obligations

Upon registration of a contract with ASX Clear in the name of Morgans, the Client acknowledges that Morgans incurs obligations to ASX Clear as principal, even though Morgans may have entered into the contract on the Client's behalf.

Notwithstanding that Morgans (or the Client's Market Participant) may act in accordance with the instructions of, or for the benefit of, the Client, the Client acknowledges that any Exchange Transaction arising from any order submitted to an Approved Market Operator, is entered into by the relevant Clearing Participant as principal.

13. Rights of the Client

The Client acknowledges that any benefit or right obtained by a Clearing Participant upon registration of a Market Contract with ASX Clear by novation under ASX Clear Operating Rules or any other legal result of registration is personal to Morgans and the benefit of that benefit, right or legal result does not pass to the Client. The Client has no rights, whether by way of subrogation or otherwise, against ASX or ASX Clear in relation to any dealings by Morgans in Market Contracts and Exchange Traded Options.

14. Dealing as principal

The Client acknowledges that Morgans may, in certain circumstances permitted under the *Corporations Act* and the ASX Clear Operating Rules, take the opposite position in a transaction in the Exchange Traded Options, either acting for another client or on its own account.

15. Clearing Participant may call funds or security

- 15.1 Morgans may call for payment of money or the provision of other security, which Morgans acting reasonably considers, in its absolute discretion, appropriate in connection with the obligations incurred by Morgans in respect of Exchange Transactions entered

into for the Client and contracts registered in the Client's Account. The Client acknowledges that the amount called may be in excess of the margin requirements established by ASX Clear.

- 15.2 The Client acknowledges that under ASX Clear Operating Rule 14.7, Morgans must call amounts from the Client which Morgans has paid to ASX Clear.
- 15.3 A call may be made by Morgans either by notifying the Client in writing or orally.
- 15.4 In accordance with ASX Clear Operating Rule 14.7 the maximum time which can be agreed is 48 hours following the request for payment by Morgans and, if no time is agreed, the time is 24 hours following the request.
- 15.5 Morgans requires payment of all monies owed to it within the required settlement periods and reserves its rights to impose charges where it deems that the Client has not met its obligations.

16. Security

- 16.1 If Morgans requires the Client to provide security, such security shall be eligible ASX traded securities lodged for sponsorship (sponsored holdings) with Morgans and to facilitate this, the Client agrees to enter into a CHES Sponsorship Agreement with Morgans if required by Morgans. The Client also acknowledges that Morgans is entitled to lodge sponsored holdings with ASX Clear as cover for written positions.
- 16.2 The Client authorises the use of any securities held by the Client in CHES holdings sponsored by Morgans to be lodged with or otherwise made available to ASX Clear as security for settlement of premium or margins payable to ASX Clear in respect of the Client's Account.
- 16.3 The Client acknowledges and represents and warrants for the benefit of Morgans that:
- a the Client is legally entitled and authorised to make available any cash or securities provided to Morgans as security for the obligations of the Client
 - b the Client is legally entitled and authorised to make securities, held at any time by the Client in CHES holdings sponsored by Morgans, available to ASX Clear as security for margins payable to ASX Clear
 - c any cash or security which is provided by the Client to either Morgans, its related entities or ASX Clear, is, and will remain, free from any encumbrances, security interests or rights of others, and
 - d the Client will not be entitled to the return of any of that cash or that security until, in the reasonable opinion of Morgans, Morgans has no further contingent or actual liability in connection with any Exchange Transaction entered into by Morgans for the Client or Market Contracts registered in the Client's Account.
- 16.4 The Client must make such arrangements for transfer of securities or payment of amounts on exercise or assignment of Options held on account of the Client as Morgans reasonably requires and notifies to the Client. In particular, the Client must, by close of business on the day on which the Client is notified of the exercise or assignment of an Open Contract in respect of the Client's Account, either:
- a notify Morgans that the Client intends to complete the transaction arising from the exercise or assignment, or
 - b instruct Morgans to take other steps to settle obligations arising from exercise, including entering into another Exchange Transaction or exercising any Open Contract.

17. Contract note/liquidation advice is a call

The Client acknowledges that the delivery to the Client of a Trade Confirmation or Liquidation Advice by Morgans is a call for payment when the Trade Confirmation or Liquidation Advice shows an amount owing to Morgans.

18. Method of making a call

- 18.1 In addition to a call being made pursuant to clauses 15 and 17, the Client agrees that Morgans may, in its absolute discretion, make a call by any of the following modes:
- a oral advice to the client by telephone or otherwise
 - b facsimile transmission
 - c letter
 - d email, or
 - e SMS
- in accordance with the address, facsimile, telephone or email details provided by the Client in this agreement or as varied in accordance with this agreement.
- 18.2 To enable Morgans to make calls to the Client as efficiently as possible, the Client agrees to promptly notify Morgans in writing of any change to those details in accordance with clause 6.2.

19. When a call is deemed to be made

- 19.1 For the purpose of this agreement and determining the time at which a call is made, the Client and Morgans agree that a call will be taken to have been made in the case of:
- a oral advice, when requested
 - b facsimile transmission, when a successful transmission is recorded on the transmission report
 - c a letter posted, one Trading Day after posting
 - d a written notice delivered, at the time of delivery
 - e an email, at the time the email is sent, as recorded by the sender's email program, and
 - f a SMS, at the time the SMS is sent, as recorded by the sender's web SMS gateway, or user's mobile phone carrier SMS gateway, in accordance with the address, facsimile, email and telephone details provided by the Client in this agreement or as varied in accordance with this agreement.
- 19.2 In the event that the Client has not provided Morgans with an email address, then the Client and Morgans agree that a call will be deemed to have been made to the Client where Morgans has called the telephone number provided by the Client for the purposes of this agreement and such call is not answered after one minute.
- 19.3 For the purposes of determining if such a telephone call has been attempted, a certified copy of any extract from the daily record book of the representative of Morgans who has attempted the telephone call, which refers to the attempt having been made, shall be taken to be conclusive evidence.

20. Payment and delivery

- 20.1 Time is of the essence for obligations under this clause 20.
- 20.2 The liability of the Client to pay any amounts or deliver any securities in connection with any Exchange Transaction or Open Contract arises from the time of entry into the relevant Exchange Transaction. The liability of the Client to pay to Morgans any amount that Morgans is liable to pay to ASX Clear or to deliver to ASX Clear any margin required by ASX Clear accrues at the time the requirement to pay comes into existence, regardless of when a call on the Client is made.

- 20.3 The Client must pay any amount the Client is liable to pay and/or provide the relevant security called for by Morgans in connection with Exchange Transactions entered into for the benefit of the client or contracts registered in the Client's account, including paying any premium and delivering any cash or security, in the manner specified by Morgans (in its absolute discretion) from time-to-time:
- a if the call is made before 2:45pm on a Trading Day, on the same day, and
 - b if the call is made at or after 2:45pm, by 9.30am on the next Trading Day.
- 20.4 Notwithstanding sub-clause 20.3, Morgans may notify the Client orally or in writing of a shorter period for payment or delivery if reasonable circumstances exist.
- 20.5 The Client acknowledges and agrees that it must pay to Morgans any amount that Morgans is liable to pay to ASX Clear in connection with dealings for the Client in Exchange Traded Options.
- 20.6 During the term of this agreement, the Client irrevocably directs and authorises Morgans to withdraw funds from any account held by Morgans or its related entities for the benefit of the Client in order to satisfy the Client's payment obligations under these Terms including, without limitation, to pay to ASX Clear any amount which Morgans is liable to pay to ASX Clear in connection with dealings for the Client in Exchange Traded Options.
- 20.7 Morgans may immediately and without notice off-set any amount payable by Morgans to the Client under these Terms or otherwise against any amounts owed by the Client to Morgans under these Terms or otherwise.
- 20.8 The Client acknowledges that these Terms do not oblige Morgans to lend any money, or otherwise extend credit, to the Client.
- 20.9 Morgans must deal with any money and property paid or given to Morgans by or on behalf of a Client in connection with a financial service that has been or will be provided to a Client or a financial product held by a Client in accordance with the *Corporations Act 2001*.

21. Default

- 21.1 If:
- a the Client fails to pay, or provide security for, amounts payable to Morgans, or
 - b the Client fails to complete a contract for the transfer of Underlying Securities following the exercise or assignment of an Exchange Traded Option, or
 - c a guarantee lodged by the Client pursuant to the ASX Clear Operating Rules is withdrawn or becomes ineffective, or
 - d the Client is an individual and commits an act of bankruptcy or is declared bankrupt, or
 - e the Client is a corporation and:
 - i an application or resolution for winding up or the appointment of a provisional liquidator to the client is made, or
 - ii the Client is presumed to be insolvent, or commits any act which, if committed by an individual, would be an act of bankruptcy or any ground for winding up occurs, or
 - iii an auditor is not satisfied with or states any material deficiency in the Client's accounts, or
 - f Morgans considers that it requires instructions from the Client in relation to Open Contracts registered in the Client's name and has been unable to contact the Client for a period of 24 hours, or
 - g any representation made by the Client is untrue at the time it was made, or
 - h the Client breaches any other material provision of these Terms; or

- i the Client is otherwise in breach of this agreement and, in the case of a breach capable of remedy, such breach continues unremedied for a reasonable period after Morgans gives the Client written notice, or
 - j any other event occurs which the Clearing Participant and the Client have agreed in their Client agreement entitles the Clearing Participant to take action under this clause 21,
- Morgans may, in addition to any other rights which it may have against the Client, without giving prior notice to the Client, take any action, or refrain from taking action, which Morgans considers reasonable in the circumstances in connection with Open Contracts registered in the Client's Account and, without limitation, Morgans may:
- k enter into one or more transactions to effect the close out of one or more Open Contracts in accordance with ASX Clear Operating Rule 13.2.1, or
 - l exercise one or more Options Contracts in accordance with the Rules
 - m on making a demand on the Client after the failure of the Client to complete, sell, at the Client's risk and expense which expense shall include brokerage, sufficient securities, as previously provided by the Client as collateral in support of the Client's trading, to meet all outstanding amounts
 - n terminate this agreement immediately, and
 - o exercise any other rights conferred by the Rules, the operating rules of a relevant Approved Market Operator, or the Client agreement or perform any other obligations arising under the Rules, the operating rules of a relevant Approved Market Operator, or the Client agreement in respect of those Options Contracts, and the Client must account to Morgans as if those actions were taken on the instructions of the Client and, without limitation, is liable for any deficiency and is entitled to any surplus which may result.

- 21.2 In the event that a deficiency results from any such action or default and in consideration of Morgans entering into this agreement, the Client irrevocably and expressly gives Morgans the power to deal with any other of the Client's securities or other property held by Morgans (including sponsored holdings) and to apply the proceeds against any deficiency.

22. Commissions and fees

- 22.1 The Client must pay to Morgans commissions and fees in connection with dealings for the Client in Exchange Traded Options at the rates determined by Morgans from time-to-time and notified to the Client with reasonable notice of not less than 7 days in writing.
- 22.2 Morgans hereby informs the Client that some of its authorised representatives may be remunerated in pay by a commission and/or discretionary incentive system.

23. Limitation of liability and indemnity

- 23.1 Save for any liability which cannot be excluded, including consumer rights under the *Australian Consumer Law*, Morgans, its directors and officers, employees, agents and representatives shall not be in any way liable for damages, loss, costs, or expenses of any kind suffered or incurred by the Client or any other person directly or indirectly through the Client's dealings with Morgans except in respect and to the extent of any negligence, fraud or wilful misconduct by Morgans or any claim which under any applicable law it is not lawful to exclude as a result of or arising out of or in connection with:

- a any breach of the agreement, these Terms, the ASX Operating Rules, the ASIC Market Integrity Rules, the ASX Clear Operating Rules or the *Corporations Act* by the Client or any person purporting to act on behalf of the Client including, but not limited to, a breach in respect of which any party may exercise a right to terminate the agreement or these Terms
- b any misinterpretation of any information provided by Morgans relating to a transaction entered into or proposed to be entered into by the Client or Morgans under the agreement or these Terms
- c misinterpretation of any information, directions or instructions which the Client or any person purporting to act on behalf of the Client may have given or claimed to have given to Morgans in relation to any transaction
- d any Exchange Traded Options or relationship established under the agreement or these Terms or any conduct relating to such a contract or relationship,
- e any delay or error in the transmission or execution of any order or instructions given or placed by or for the Client; and
- f anything lawfully done by us, in accordance with this Agreement or at the request of the Client.

23.2 The Client indemnifies Morgans and its directors and officers, employees, agents and representatives from any claim, notice, demand, action, proceeding, litigation, investigation, judgment, damage, loss, cost, expense or liability whether present, unascertained, immediate, future or contingent and whether direct or indirect arising out of any default by the Client under the agreement or these Terms or from anything lawfully done by Morgans pursuant to the agreement or these Terms. This indemnity will not apply where such claim, notice, demand, action, proceeding, litigation, investigation, judgement, damage, loss, cost, expense or liability was caused by Morgan's breach of duty, breach of trust, fraud or wilful misconduct, or where the loss or costs incurred by Morgans were not caused by the Client or where the loss could have been avoided or mitigated by Morgans.

24. Representations and warranties

The Client represents and warrants in favour of Morgans, at the date of the agreement and at each time that the Client instructs the Clearing Participant to enter into an Exchange Transaction, that:

- a (if a corporation) it is duly incorporated and validly existing under the laws of the jurisdiction of its incorporation
- b the Client has power to enter into the agreement and these Terms and to perform its obligations under the agreement and these Terms
- c the Client duly authorises each person who transacts on behalf of the Client
- d this agreement is valid, binding and enforceable against the Client
- e the execution, delivery and performance of the agreement and these Terms does not violate any existing law or regulation or agreement or document to which the Client is a party or which is binding on the Client or any of its assets
- f the Client has obtained all authorisations required for the Client to enter into and perform the agreement and these Terms, and those authorisations remain in full force and effect, and
- g the Client is solvent.

25. Tape recording of conversations

- 25.1 The Client acknowledges and agrees that Morgans may record telephone conversations between the Client and Morgans. If there is a dispute between the Client and Morgans, the Client has the right to listen to any retained recording of the relevant conversations.
- 25.2 The Client acknowledges and agrees that any tape recording is our

property and that we reserve a right to charge you a reasonable recovery fee for access to or transcription of a recording.

- 25.3 The Client acknowledges and agrees that Morgans is not responsible for technical failures or faults which result in a failure to record, or retain a recording of, a telephone conversation between Morgans and the Client, and that no adverse inference may be drawn by any party for any such technical failure or fault.

26. Appointment of ASX Clear and others as agents

- 26.1 The Client irrevocably appoints severally ASX Clear, and every director, manager and assistant manager for the time being of ASX Clear, at the option of ASX Clear 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 15.6 including, without limitation, the power to transfer or close out Open Contracts if Morgans commits an event of default.
- 26.2 The Client irrevocably appoints severally ASX Clear, and every director, manager and assistant manager for the time being of ASX Clear, at the option of ASX Clear (as applicable) to do all acts and execute all documents on the Client's behalf for the purpose of exercising the powers conferred on ASX Clear under ASX Clear Operating Rule 15.

27. Termination of Agreement

- 27.1 Subject to clause 21, either the Client or Morgans may terminate this agreement by giving seven days' notice in writing to the other party.
- 27.2 Termination will be effective upon receipt of the notice by the other party.

28. Effect of termination

- 28.1 Termination does not affect the existing rights and obligations of the Client or Morgans at termination. Upon termination of this agreement, Morgans will close out all Open Contracts entered into by Morgans and registered in the Client's Account, unless, in accordance with a direction from the Client, the registration of those contracts is transferred to another Clearing Participant in accordance with the Rules.
- 28.2 In the event of termination, if the Client fails to make an election to transfer Open Contracts held in the Client's Account to another Clearing Participant the Client acknowledges and agrees that Morgans will not be liable for any resulting loss or damage that may be suffered by the Client when the Open Contracts are closed out.

29. Variation of terms

- 29.1 Morgans may amend these Terms by sending the Client written notice of the changes. Morgans will give not less than 14 Business Days notice.
- 29.2 If ASX Clear prescribes amended minimum terms for a Client agreement for ASX derivative products or Exchange Traded Options for the purpose of the ASX Operating Rules, ASX Clear Operating Rules or Settlement Rules ('New Terms'), to the extent of any inconsistency between these Terms and the New Terms, the New Terms will override the terms of these Terms and apply as if the Client and Morgans had entered into an agreement comprising the New Terms.
- 29.3 Morgans will provide a copy of the New Terms to the Client as soon as practicable after ASX prescribes the New Terms.
- 29.4 If the Client has lodged a 'Professional Investor Client Agreement' with ASX Clear pursuant to the Rules, then to the extent of any inconsistency between the terms of that agreement and these Terms, these Terms prevail.
- 29.5 Where the Client does not agree with an amendment made under clause 29.1, the Client may terminate the agreement by giving 30 days' prior notice in writing to Morgans.

30. Waiver

No failure, delay, relaxation or indulgence by Morgans in exercising any right conferred on it by this agreement shall operate as a waiver of such right, nor shall any single or partial exercise of any right nor any single failure to do so, preclude any other or future exercise of that right, or the exercise of any other right under this agreement.

31. Electronic Confirmations

- 31.1 By providing an email address the Client acknowledges and authorises Morgans to send all Trade Confirmations and Monthly Statements ('electronic confirmations') to the Client's electronic address only. It is the Client's obligation to ensure that its email address is functional for receipts of electronic confirmations.
- 31.2 If the Client has elected to provide an email address, and receive electronic confirmations, the Client acknowledges that all electronic confirmations will be provided subject to ASX Clear Operating Rule 7.9.1(b) being:
- a the Rules, directions and requirements of the Rules and the ASX
 - b the customs and usages of the market, and
 - c the corrections of errors and omissions.
- 31.3 At any time, the Client may notify Morgans in writing that the Client wishes to receive Trade Confirmations and Monthly Statements by mail.
- 31.4 The Client also acknowledges that Morgans may at any time:
- a issue a paper based confirmation statement in lieu of electronic confirmations, and
 - b issue a further confirmation statement if the previous statement or statements contained errors or omissions, and in this event, the further confirmation statement shall supersede the previous statement or statements.

32. Variations

Subject to clause 29 of this agreement, no variation, modification or waiver of any provision in this agreement, nor consent to any departure by any party from any such provision, shall be of any effect unless it is in writing, signed by the parties or (in the case of a waiver) by the party giving it. Any such variation, modification, waiver or consent shall be effective only to the extent to or for which it may be made or given.

33. Price averaging

The Client agrees that Morgans may under ASX Clear Operating Rule 11.2.1, in its absolute discretion, nominate Market Contracts traded in the same Contract Series on the same trading day to be accumulated and price averaged so as to be reported to the Client at an average price.

34. Change of Participant

If the Client receives a Participant Change Notice from Morgans 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 ('the Effective Date'), the Client is under no obligation to agree to the change of Participant, and may choose to do any of the things set out below.

The Client may choose to terminate this agreement in accordance with clause 27 or by giving instructions to Morgans, indicating that the Client wishes to transfer its Open Contracts to another Participant.

If the Client does not take any action to terminate this agreement and does not give any other instructions to Morgans which would indicate that the Client does not agree to the change of Participant then, on the Effective Date, this 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 agreement in substitution for Morgans
- b any rights of Morgans are transferred to the new Participant, and
- c Morgans is released by the Client from any obligations arising on or after the Effective Date.

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

The Client will be taken to have consented to the events referred to above by the doing of any act which is consistent with the novation of the 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 agreement continues for the benefit of Morgans 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, that the Client agreement will continue for the benefit of Morgans until such time as the novation is effective, and Morgans will hold the benefit of the agreement on trust for the new Participant.

Nothing in this clause 34 will prevent the completion of the Market Contracts and Open Contracts by Morgans where the obligation to complete those contracts arises before the Effective Date and the agreement will continue to apply to the completion of those contracts, notwithstanding the novation of the agreement to the new Participant under this clause.

35. Definitions

ASX Clear means ASX Clear Pty Ltd ABN 48 001 314 503.

ASX Clear Operating Rules means the ASX Clear Operating Rules and Procedures as amended from time to time.

ASX Operating Rules means the ASX Operating Rules and Procedures as amended from time to time.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules and Procedures means the Operating Rules and Procedures of ASX Settlement as amended from time to time.

Business Day means a day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day or other day on which ASX is not open for business.

CHESS means the Clearing House Electronic Subregister System.

Client's Account means the account/s that will be created for the Client after accepting the terms of this Agreement.

Client Details includes the Client's name, address, email, residency and financial information provided (if any).

Corporations Act means the *Corporations Act 2001* (Cth).

Contract Series means an Options Series which includes the terms set out in Schedule 4 of the ASX Operating Rules and other terms determined by ASX.

Exchange Traded Options refers to the instruments in which Morgans has authority to deal and may include, but are not limited to, any of the following:

- Share options
- Index options
- LEPO Share options
- LEPO Index Options
- Other ASX Derivative Products

Exchange Transaction means a transaction conducted through the ASX or any other Approved Market Operator.

Liquidation Advice means a statement detailing any expiry, exercise or assignment of the Client's Options.

Market Contract means an Exchange Traded Option which is, or forms part of, an Exchange Transaction.

Monthly Statement means the statements that Morgans is required to provide the Client each month in accordance with ASX Clear Operating Rule 4.15.1.

Open Contract has the meaning given to it in the ASX Operating Rules.

Option shall have the meaning given to it in the ASX Operating Rules namely a call option or a put option.

Participant means a person admitted as a Participant of ASX Clear under Rule 3.1 of the ASX Clear Operating Rules.

Participant Change Notice means a notice sent to the Client notifying of a change of Participant in accordance with ASX Clear Operating Rules 7.1.5(a) and (b).

Professional Investor shall have the meaning given to it in s9 of the *Corporations Act*.

Morgans Product Disclosure Statement means the product disclosure statement issued by Morgans relating to Exchange Traded Options which is required to be provided to the Client under Part 7.9 Division 2 of the *Corporations Act*.

Rules means any or all of the ASIC Market Integrity Rules, ASX Operating Rules, the ASX Settlement Operating Rules and Procedures, and the ASX Clear Operating Rules and Procedures or the rules, regulations and guidelines of an Approved Market Operator as the case requires and as amended from time to time.

Security or Securities has the meaning given to it in s761A of the *Corporations Act*.

Settlement Rules means the operating rules, procedures, practices, directions, decisions and requirements of the ASX Settlement Corporation or any other approved settlement Participant.

Terms means any of the terms and conditions of this agreement.

Times any reference to time is a reference to the time used by ASX, generally Sydney time unless otherwise specified.

Trade Confirmation means the confirmation sent by Morgans to the Client (commonly referred to as a contract note) confirming each Option transaction entered into by the Client, detailing the date, price, description of the Options, brokerage and any other fees or charges.

Trading Day has the meaning given to it in the ASIC Market Integrity Rules.

Underlying Securities means the securities or indices listed on ASX as selected by ASX Clear over which options are traded.

Client Agreement

How to complete your Options Client Agreement Forms

- Please note the Agreement information on the following 4 pages is detachable and must be completed in full in all respects on both sides of the page.
- Agreement must be dated.
- Agreements executed by a company must be executed in accordance with s127 of the Corporations Act 2001.
- Schedule 1 is to be completed if the account is in the name of a corporation.
- Schedule 2 is to be completed if the account is in the name of an individual wishing to appoint an agent to act on their behalf. (Note: your adviser cannot be appointed as your agent).
- Completion of the Authority for Paperless Collateral is mandatory. The account will not be activated unless this portion is completed and returned.
- A detachable Transfer of Option Position form is included for clients requiring to transfer their existing ASX Clear positions to Morgans Financial Limited.
- When completed please forward all original documents to your adviser.
- If you have any questions please call your adviser at Morgans Financial Limited.

Important Notes

- It is essential before signing this document that you have received, thoroughly read and understood the Options Client Agreement Terms, ASX Understanding Options booklet and the Morgans Exchange Traded Options Product Disclosure Statement.
- Trustees of Self Managed Super Funds should particularly note the acknowledgments in clause 2.2 of the Client Agreement Terms (page 8).
- To open an Options Account you need to also enter into a Broker Sponsorship Agreement and establish a linked Cash Management Account. It is your responsibility to ensure that sufficient funds are available within such a Cash Management Account to settle all margin calls.
- You may also be required to complete an Options Questionnaire, supply a copy of any open options positions and a history of options trading undertaken in the previous 12-18 months (if applicable).
- Any Assignments or Exercises resulting from open options positions must be booked to the Share Account in the same name as the Options Account.

Options client details

Exchange traded options

Please print details in upper case letters.

This agreement

Is made the day of 20
ASX Rules of Registration allow no more than three joint applicants. If you make a mistake, cross it out and initial the change. **Please do not use correction fluid.** This form should be completed by the Client and not the adviser or any other Morgans staff member.

Between:

Morgans Financial Limited of Level 29, Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 (the Clearing Participant) and

Client 1

Client 2

Client 3

(Include ACN if company)

(Include ABN if applicable)

Account designation (24 characters max)

< A/C>

Postal address

Street/PO box

Suburb/Town/City

State

Postcode

Country

Residential address Same as: ☐ Postal address

Street

Suburb/Town/City

State

Postcode

Country

Additional information

Home phone

Business phone

Mobile

Email

☐ *By providing an email address you agree to receive trade confirmations and monthly statements by email only for both your share and options accounts. If you wish to receive these by mail only please tick the box on the left. Charges may apply.

Office use only

Share adviser name/number

/

Options adviser name/number

/

Share account number

Options account number

Branch

Brokerage

Options client details (continued)

Schedule 1 – If Client is a Corporation

The following persons are authorised to act for the corporation in relation to the options account

	Name	Position
1		
2		
3		
4		
5		

Schedule 2 – If appointing an Authority to deal (cannot be your adviser)

Client to complete where Client is appointing an agent in accordance with Clause 10 of the agreement.

If you wish to authorise somebody else (eg spouse, accountant, Power of Attorney, financial planner, etc.) to act on your account, please complete this section of the document. This Authority may only be revoked by written notice from the Client to Morgans and will take effect at the commencement of the business day following the date of receipt of the notice of revocation by Morgans (See Clause 10 (page 9) of Terms and Conditions for further details).

☐ Authorise same person as Share Account.

Full name of authorised person	Relationship

Organisation (if applicable)

Address (PO box not to be used)

Home phone	Work phone	Mobile

Email

☐ Please tick if you would like the authorised person to receive a copy of your trade confirmations

Office/Adviser use only – Authorised Person Identification

Identification provided ☐ Driver's licence ☐ Passport ☐ Birth certificate ☐ Other

(ID must include recent certified photo, confirmation of DOB and current residential address. Refer to Share Account Terms and Conditions)

Reference

Options client objectives


Your Morgans adviser is required by law to make enquiries as to the level of service you are seeking, your investment objectives, financial situation, and particular needs. This enables your adviser to provide you appropriate financial advice, including financial products recommendations, which are in your best interests. You may decline to provide the below information, however you should note that your adviser's recommendations and obligations will be limited accordingly. You may need to determine if the recommendations provided are appropriate to your personal circumstances. Please note that the information requested in this application is in addition to the information provided in the Share Account Application form.

Please indicate on the table below which transactions/strategies you wish to utilise in your Morgans Options Account. Please consider if the risk weighting is consistent with your needs, objectives and the type of account you have (e.g. Superannuation vs non-super).

Income – use options to enhance portfolio income whilst potentially foregoing capital gains.

Trading – generate gains by trading option positions with the risk that losses may occur.

Hedging – using options to protect against a potential downside risk.

		Income	Trading	Hedging
<div>Low Risk</div> 	Buying (taking) put options as a hedge against a fall in the value of the underlying asset Purchasing a put when the expectation is that the price of the underlying asset will decline, effectively locking in a sale at the strike price, providing the opportunity to earn a profit with a known and limited risk (e.g. premium paid).			
	Buying (taking) call options to gain leveraged exposure to the upside of the underlying asset Purchasing a call option in order to profit from an expected increase in the price of the underlying asset without having to buy the underlying asset itself, providing the opportunity to earn a leveraged profit with a known and limited risk (e.g. premium paid).			
	Selling (writing) call options over existing stocks and buy/write strategies Selling calls as a means to generate income from the holding. The risk with this strategy is the downside protection is limited to the amount of the call premium received. Any upside benefit from a rising share price is capped above the sold call strike price.			
	Buying (taking) or selling (writing) spreads and other option strategies involving multiple legs Spread positions usually consist of a bought and sold leg which defines the risk/reward of the trade by the distance between the bought and sold strikes. Please refer to the ASX Options Strategies booklet for more information on spreads involving multiple legs.			
	Selling (writing) put options covered (ie ungeared) by cash as a means to acquire the underlying stock Earning a premium by selling a put over an underlying asset in expectation that the price of the underlying asset may increase. If the price of the underlying asset falls below the sold put strike, the seller may be assigned and have to purchase the underlying (subject to the buyer exercising their rights).			
	Selling (writing) put options as a speculative trading strategy Earning a premium by selling a put over an underlying asset in expectation that the price of the underlying asset may increase. If the price of the underlying asset falls below the sold put strike, the seller may be assigned and have to purchase the underlying (subject to the buyer exercising their rights).			
	Selling (writing) and buying LEPOs Low Exercise Price Options are priced similarly to futures. They move one for one with the underlying. They have cash mark to market margining which settles the daily move in the underlying to the value of the LEPO.			
	Selling (writing) call options covered by cash (naked calls) Naked sold calls are an inherently risky position. Selling a call option in order to profit from a neutral or declining move in the underlying asset. Close monitoring of these positions is required as the risk to the upside is undefined.			
High Risk				

Options client objectives (continued)

Please provide some detail on your options trading history/objectives.

Mandatory personal information (you must complete this section)

Morgans Financial Limited reserves the right to refuse the establishment of your ASX derivatives trading account unless this profile is completed.

Brokers you have traded options with during the past five years:

Applicant 1	
Applicant 2	
Applicant 3	

Other brokers you currently have options account(s) with:

Applicant 1	
Applicant 2	
Applicant 3	

Have you had or are there now any judgements or pending claims against you? (if yes please provide details)

Applicant 1	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Details	
Applicant 2	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Details	
Applicant 3	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Details	

How many years have you traded options?

Applicant 1	
Applicant 2	
Applicant 3	

Registered Holder Collateral Cover Authorisation

4

Registered holder

1. I/We (insert name/s)

of (insert address)

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

2. The Registered Holder acknowledges that ASX Clear may, in its absolute discretion, decline to accept in relation to all or any particular Client Account/s nominated above for the purposes of accepting paperless lodgements.
3. The Registered Holder acknowledges that on behalf of the Registered Holder, 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.
4. In registering Collateral in the ASX Clear Subposition, the Registered Holder acknowledges that 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.
5. The Registered Holder acknowledges that the Charge secures all amounts and obligations owing by the ASX Clear Participant to ASX Clear in connection with the Client Accounts nominated below¹ opened by the ASX Clear Controlling Participant in accordance with the ASX Clear Operating Rules and Procedures (as amended from time to time).
6. The Registered Holder acknowledges that the Registered Holder has received, read and understood the ASX Operating Rules and the ASX Settlement Operating Rules, in so far as those rules relate to the Collateral and the Charge, including:
 - a ASX Clear's power to deal with the Collateral on default by the ASX Clear Controlling Participant in respect of the Client Accounts nominated below¹; and
 - b in particular, ASX Clear's power of sale in relation to the Collateral without any notice to the Registered Holder.
7. The Registered Holder warrants 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.
8. If the Registered Holder's Controlling Participant named in this authorisation is a margin lender the Registered Holder warrants that they 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.
9. If the Controlling Participant, is unable to insert the Account Numbers and/or HIN at the time the Registered Holder signs this form the Registered Holder irrevocably authorises the Controlling Participant, to insert the Account Numbers and/or HIN on this agreement and agrees the Controlling Participant, will insert the Account Numbers and/or HIN on the Registered Holder's behalf, prior to notifying ASX Clear. The Controlling Participant, agrees that it will notify the Registered Holder of the Account Numbers and/or HIN in writing as soon as reasonably possible.
10. We acknowledge section 3.2.1 of the Morgans CHESSE agreement.

Signed by the Client: 1, 2 and 3

Signature of Client or Director if a corporation

Print name

Date

Witnessed by

Signature of Client or Director if a corporation

Print name

Date

Witnessed by

Signature of Client or Director if a corporation

Print name

Date

Witnessed by

¹ If a corporation, must be signed in accordance with s127 of the Corporations Act, or if signed under power of attorney, a copy of the power of attorney must also be attached to this Authority.

Office use only

Client account numbers this Authority covers:

Option account numbers

HIN

Executed as a deed by the parties

Individual or joint execution:

The Client acknowledges by signing this Options Client Agreement and all Schedules and attachments to it that they have received the Agreement in its entirety.

Applicant 1	Signature

Applicant 2	Signature

Applicant 3	Signature

Company execution:

Executed in accordance with s127.1 of the Corporations Act 2001

<i>Place common seal here if required</i>	Full name of Director	Signature of Director
	Full name of Director/Secretary	Signature of Director/Secretary

Execution by Morgans Financial Limited:

Executed for and on behalf of **Morgans Financial Limited** by or in the presence of:

Full name of Director	Signature of Director
Full name of Director/Secretary	Signature of Director/Secretary

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Transfer of Option Position

6

Account names

Account address

Date

Name of Broker

Option account numbers

Dear Sir/Madam,

Please arrange the following to be transferred to Morgans Financial Limited.

- ☐ All of my open option positions.
- ☐ All cash being held to cover margins and additional cash held in your trust account.

Yours faithfully

Signature of Client or Director if a corporation

Signature of Client or Director if a corporation

Signatures of Client or Director/Secretary if a corporation

Please note that when transferring your HIN (holder identification number) from Broker to Broker, all of your Tax File Number notifications, Dividend Reinvestment, Dividend Payments and Annual Report instructions will remain intact. There is no change to your holdings, simply a change of sponsoring broker.

Attach this form with your sponsorship agreements.

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
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
West End	+61 7 3151 8300

Northern Territory

Darwin +61 8 8981 9555

New South Wales

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Stockbroking, Corporate Advice, Wealth Management

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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

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Victoria

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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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Stockbroking, Corporate Advice, Wealth Management

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South Australia

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Stockbroking, Corporate Advice, Wealth Management

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Norwood	+61 8 8461 2800
Unley	+61 8 8155 4300

Tasmania

Hobart +61 3 6236 9000

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