Ascot Securities

PRODUCT DISCLOSURE STATEMENT

Exchange Traded Options

December 2016

Issued by Ascot Securities Pty Limited ABN: 45 075 902 206

Australian Financial Services Licence: 246 718. Ascot Securities Pty Limited is an ASX Market Participant.

Important Information

The information contained within this Product Disclosure Statement (PDS) is general information only and does not take in to account your individual objectives, financial situation or needs.

Please note that Ascot Securities Pty Limited (Ascot Securities) will only provide general advice to you in relation to your investments. You must consider the appropriateness of the information contained within this PDS and the service offered by Ascot Securities, in the context of your objectives, financial situation and needs, and if necessary seek appropriate professional advice from a suitably qualified investment adviser.

This PDS covers exchange-traded equity options and index options (ETOs) and traded on the ASX. It does not cover Low Exercise Price Options (LEPOs), debt Options, foreign currency Options or Options traded on US exchanges. Equity ETOs are Options on quoted shares (or other securities) over a specific group of ASX listed companies. Index ETOs are Options on a select group of ASX indices. A complete list of companies and indices over which Options are traded the ASX can be found on the ASX website www.asx.com.au.

The PDS is designed to assist you in deciding whether the products covered within this PDS are suitable for your investment needs. Please use this PDS to compare the products herein with other potential investment products to ensure you are fully informed of the range of investment products available.

Trading ETOs involves considerable risks and for that reason, you should only trade Options if you understand the nature of the product (especially your rights and obligations) and the extent of the risks you are exposed to. Please carefully consider the information contained within this PDS and the relevant booklets regarding ETOs from ASX Limited (ASX).

The information provided within this PDS may be revised and updated from time to time. If the changes to the PDS are not material, we will provide updates on our website and you may access the most current version of the PDS via our website at any time. If you would like an electronic or hard copy of the PDS to be sent to you at any time we will be happy to do organise that for you free of charge. If you have any questions in relation to this PDS please contact us on 02 9261 5828.

Ascot Securities Pty Limited (AFSL 246 718. ABN 45 075 902 206) is an ASX Market Participant and is related to Amalgamated Australian Investment Group Limited (ABN: 81 140 208 288). Level 4, 151 Castlereagh Street, Sydney NSW 2000 (The AAIG Group).

The AAIG Group is engaged in various financial services related businesses and has diverse business interests. These activities and interests may include, but may not be limited to, acting as a financial adviser, corporate adviser, investor, research provider and investment manager in relation to financial products and services that may be directly or indirectly purchased or sold by entities within the AAIG Group.

As at the date of this PDS other related entities within the AAIG Group included:

- APSEC Compliance & Administration Pty Limited. AFSL: 345 443. ABN: 30 142 148 409.
- APSEC Funds Management Pty Limited. CAR: 411 859. ABN: 48 152 440 723.
- Atlantic Pacific Securities Pty Limited trading as ASR Wealth Advisers CAR: 339 207. ABN: 72 135 187 085.
- Australian Stock Report Pty Limited. AFSL: 301 682. ABN: 94 106 863 978.
- Amalgamated Australian Investment Solutions Pty Limited (formerly Independent Advisor Solutions Pty Limited). AFSL: 314 614. ABN: 61 123 680 106.
- HC Securities Pty Limited. CAR: 297 316. ABN: 78 117 830 805.
- Australian Investment & Insurance Group Pty Limited. AFSL: 226 405. ABN: 93 068 486 126.
- The Atlantic Pacific Australian Equity Fund. ARSN: 158 861 155.

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Introduction

This PDS includes information about Ascot Securities Pty Limited's (the Participant, we, us, our, Ascot Securities) Exchange Traded Options (Options or ETOs) product, the fees that apply, the benefits and risks of the product and other information that you should consider prior to trading options.

Ascot Securities offers execution, clearing and settlement services for exchange listed equity and index Options only.

Options can provide protection for a share portfolio, additional income or trading profits. Both the purchase and sale of Options involves risk. Ascot Securities will only enter into Option transactions on behalf of clients who understand the nature and extent of their rights, obligations and risks.

As Options are both complex and inherently risky, Ascot Securities recommends that all clients visit the ASX website (asx.com.au/education/download-brochures.htm) to access important information — including, but not limited to, pay-off diagrams and educational material prior to placing any order instructions. You are expressly required to receive and read ASX's "*Understanding Options Trading*" booklet which can be accessed at:

http://www.asx.com.au/documents/resources/UnderstandingOptions.pdf

All Options transactions executed by Ascot Securities will be cleared and settled via our partner, Pershing Australia Pty Limited. Please refer to the Ascot Securities and Pershing Financial Services Guides for further information in relation to the products and services offered.

All materials referenced within the ASX website are considered presumed knowledge for you as an Options client of Ascot Securities.

Prior to dealing in any Option contract you will be required to acknowledge your understanding of the risks associated with Option trading.

Why Trade Options?

There are certain advantages associated with Option trading for investors which include:

- Protecting your portfolio;
- Generating profit from market movements, even when the market is falling or flat;
- Earning extra income from the shares held in your portfolio;
- Increasing your returns through leverage; and
- Diversifying your portfolio.

Given Options derive their value from the underlying listed share or the underlying index, Options enable you to benefit from shifts in the prices of underlying shares or performance of an index without having direct ownership.

The information contained within this PDS, will help you understand the Options market and how you can utilise the services offered by Ascot Securities to trade Options and enhance your investment potential.

Please ensure that you carefully consider whether this financial product meets your individual investment needs and compare all aspects of this financial product against other financial products you may be considering.

Ascot Securities only provides general advice in relation to trading in Options so please consider whether a general advice service offering is appropriate for you.

What is an Option?

Options have become increasingly popular in recent years, as investors realise that Options are an easily-accessible way to realise returns in volatile market conditions. Unlike direct equity investment, Options can deliver returns whether the market is up, down or stays flat.

Options are derivative products that can be taken over listed shares or indices.

The Seller of an Option is referred to as a 'Writer' and the Buyer is referred to as a 'Taker'. An Option over listed shares is a contract between Taker (Buyer) and the Writer (Seller).

The Buyer has the right, but not the obligation, to buy or sell a pre-determined parcel of shares at a specified price, on or before a predetermined date (Expiry).

The Seller of the Option has an obligation to fulfil the requirements of the contract, if called upon by the Buyer to do so. The Buyer pays a premium to the Seller, as the Seller may be required to fulfil the contract at the direction of the Buyer.

There are two types of Options:

- **CALL** Options; and
- **PUT** Options.

A Call Option gives the Taker (Buyer) the right, but not the obligation, to buy the underlying shares at a predetermined price.

A Put Option gives the Taker (Buyer) the right, but not the obligation, to sell the underlying shares at a pre-determined price.

The Taker is not obligated to exercise the Option and the Option may be allowed to expire with no action taken. Where this occurs, the Writer (Seller) benefits by keeping the premium paid by the Buyer.

Where the Options are issued over an Index - the taker of an index Option has the right to receive a cash payment if a share market index reaches a specified level (expressed in points) on a predetermined date. Option writers are required to supply shares or cash as collateral.

Options may be issued with an American or European exercise style.

Most ASX Options are American-style, which means that they can be exercised at any time prior to the expiry day.

European-style exercise Options, which include index Options, can only be exercised on expiry day.

If the Buyer decides to exercise their right over an Option contract, the Seller may be required delivery the underlying stock or pay cash to settle the transaction.

Exchange-traded equity Options are mostly deliverable, which requires the physical delivery of the underlying security when exercised. Exchange-traded index Options, are cash settled, which means cash settlement is required when they are exercised.

Given the nature of the Option market any order you place to Buy or Sell a specific Option contract is good for day only.

All Options are **T+1 settlement** – which means you must satisfy any settlement obligations in relation to the Option contract the day after the trade is executed.

Obligations of Taker / Writer

The following summarises the key concepts of a Call and Put Option and the obligations of the Taker (Buyer) and Writer (Seller) in each case:

Call Options

TAKER	WRITER
• **Pays premium**	• **Receives premium**
• **Right to exercise and buy the shares**	• **Obligation to sell shares if exercised**
• **Benefits from rising volatility**	• **Benefits from time decay**
• **Profits from price rising**	• **Profits from price falling or remaining neutral**
• **Limited losses, potentially unlimited gain**	• **Potentially unlimited losses / limited gain**
• **Can SELL before expiry to close**	• **Can buy back before expiry or before assignment to close**

Put Options

TAKER	WRITER
• **Pays premium**	• **Receives premium**
• **Right to exercise and sell the shares**	• **Obligation to buy shares if exercised**
• **Benefits from rising volatility**	• **Benefits from time decay**
• **Profits from price falling**	• **Profits from price rising or remaining neutral**
• **Limited losses, gain only limited to the share price falling to zero**	• **Losses only limited to the share price falling to zero, limited gain**
• **Can SELL before expiry to close**	• **Can buy back before expiry or before assignment to close**

Equity & Index Options

Equity Options are contracts over ASX approved securities.

Index Options are contracts over an approved ASX index. Index Options enable you to take up a position based on your view on the market as a whole, or on the sector covered by a particular index.

There are 5 components for an Options contract namely:

- Underlying Securities / Approved Indices
- Contract Size
- Expiry Day
- Exercise or Strike Price
- Premium

The following provides more information about each of the 5 components of an Option contract:

Underlying Securities	Options listed on the ASX Option market are only available for certain securities and the S&P ASX 200 share price index.
Contract Size	For Equity Options, 1 option contract represents 100 underlying shares. This ratio may change if there is an adjustment such as a new issue or a reorganisation of capital in the underlying share. For Index Options, the 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 4,500 points, 1 contract would be 4,500 x $10 = $45,000).

Expiry Date	All options have a limited life span and expire on standard expiry days set by ASX. Typically, Equity Options expiry dates will be set as the Thursday before the last Friday of the month and Index Options expiry is usually set as the third Thursday of the contract month.
Exercise or Strike Price	The Exercise or Strike Price is the price at which the underlying asset is to be bought or sold when the option is exercised. This Exercise or Strike prices are set by ASX and new exercise prices will be listed as the price of the underlying securities moves.
Premium	The Premium is the money the Option buyer is prepared to pay the seller for the risk that comes with the obligation attached to the Option. The Option premium is contingent on the strike price, volatility of the underlying, as well as the time remaining to expiration.
Eligibility for dividends and voting	The Taker of a Call option and the Writer of Put option are not entitled to any dividend entitlements or voting rights attached to the underlying shares until the shares are transferred after exercise.

How are these components reported in a practice?

For an **Equity Option** over BHP shares the specific contract would be reported as:

BHP 2430 Dec16 CALL @ 0.75c

Underlying Security	Exercise Price in cents	Expiry Date	Option Type	Premium
BHP	**2430**	**DEC 16**	**CALL**	**0.75c**

For an **Index Option** over the S&P ASX 200 share price index the Option contract would be reported as:

XJOU67 5255 Nov16 Call 0.41c

Underlying Security	Exercise Price in cents	Expiry Date	Option Type	Premium
XJOU67	**5,255**	**NOV 16**	**CALL**	**0.41c**

Summary of Differences between Equity & Index Options

	EQUITY OPTIONS	INDEX OPTIONS
Underlying Security	ASX Approved (listed) securities	ASX Approved Indices
Settlement	Deliverable (shares)	Cash Settled
Exercise Price	AUD	Points
Contract Size	1 contract – 100 shares	Exercise price of the option multiplied by the $ value
Exercise Style	Generally American / Also European	European
Expiry Date	***Monthly Options*** Thursday before the last business Friday of the month ***Weekly Options*** Thursday of each week provide Friday is a business day.	***Monthly Options*** Third Thursday of the expiry month ***Weekly Options*** Thursday of each week provided Friday is a business day.

Option Pricing

How is the premium calculated?

An option premium comprises ***intrinsic value*** + ***time 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.

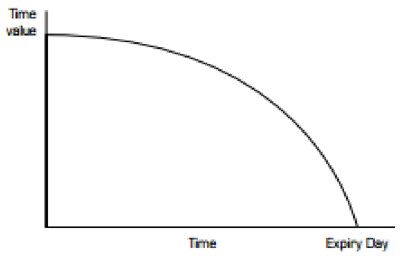
For example for a Call: BHP is trading at $25.00

Exercise price of $24.00

Intrinsic value is $ 1.00

Time value will vary with in the-money, at-the-money and out-of-the-money options and is greatest for at-the-money options.

As time draws closer to expiry, the opportunities for the option to become profitable decline, causing the time value to decline. This erosion of option value is called time decay. Time value decays more rapidly towards expiry.



Accordingly, Option premiums change according to a range of factors including the price of the underlying shares and the time left to expiry.

- **In-the-money options** - have an intrinsic value because the exercise price is lower (for put options) / higher (for call options) than the share price.

- **Out-of-the-money options** - have no intrinsic value because the exercise price is higher (for put options) / lower (for call options) than the share price.

- **At-the-money options** – have to intrinsic value because the share price equals the strike price, but have the greatest time value.

Example: If BHP is trading at $25.00, the exercise price of a call option is $24.00 and the premium is $1.50, this means that the:

Intrinsic value is:	$1.00 ($25-$24)
Time value is:	$0.50 ($1.50 – $1.00)

Time value is influenced by time to expiry, volatility, interest rates, dividend payments and market expectations.

Adjustments to Option Contracts

Whilst the specifications of option contracts listed on the ASX options market are standardised, ASX may need to make some adjustments to the option contracts to preserve, insofar as possible, the value of positions in options held by takers and writers.

Adjustments may be made in response to corporate events that will impact the price of the underlying shares. These corporate events include, bonus issues, capital reconstructions (share splits/ consolidations) or rights issue. ASX may need to adjust one or more of the components of an option, including exercise price, contract size, underlying securities, and number of contracts.

Corporate events that do not strictly affect shares in a pro-rata manner, that is proportionally, are generally excluded from an option adjustment

The various adjustment circumstances and also a detailed treatment of option adjustments, titled Explanatory Guide for Option Adjustments can be found on the ASX website at www.asx.com.au/options. This document covers:

- what an adjustment is
- why adjustments are made
- how adjustments are determined
- different types of adjustments
- examples of past adjustments.

Open Option Positions – Next Steps

Once you have an open option position, it is important that you understand what actions are available to you in managing that position.

The following diagram explains what actions are available for you in the capacity as a Writer (Seller) and a Taker (Buyer).

Open an Option as WRITER (Seller) →

Close the position on market

OR

Allow position to expire
(or assigned if in-the-money)

Open an Option as TAKER (Buyer) →

Close the position on market

Exercise the position

Allow position to expire

CALL Option in practice

The following table summarises the actions available to both the Writer and the Taker in practice:

	Writer	**Taker**
Market Price Expectation		
Action	Write a Call and receive the premium	Buys a Call and pays the premium
If share price Increases	Allow the Option to lapse and risk being assigned. You will have to deliver the stock if assigned Or Buy a Call to close the position	Exercise the Option to buy the underlying stock at the exercise price Or Sell a Call to close the position and receive the premium
If share price Decreases	Option will expire / lapse and Writer will keep the premium	Allow the option to expire/lapse (take no action) Or Sell a Call to close the position and generate some of the premium paid to open the Call

PUT Option in practice

The following table summarises the actions available to both the Writer and the Taker in practice:

	Writer	Taker
Market Price Expectation		
Action	Write a Put and receive the premium	Buys a Put and pays the premium
If share price Decreases 	Allow the Option to lapse and risk being assigned. You will have to pay for the stock at the exercise price if assigned Or Buy a Put to close the position	Exercise the Option to sell the underlying stock at the exercise price Or Sell a Put to close the position and receive the premium.
If share price Increases 	Option will expire / lapse and Writer will keep the premium	Allow the option to expire/lapse (take no action) Or Sell a Put to close the position and generate some of the premium paid to open the Put

Exercising Options

If you are the Taker and would like to exercise your Option, just contact your Ascot Securities Adviser for assistance. When a Taker exercises an Option, ASX will randomly select the Writer who will be assigned. For Equity Options, the Writer will have to deliver the underlying stock (for a Call) or buy the underlying stock (for a Put). For Index Options the Writer has to cash settle the option.

Most ASX Options are American style which means they can be exercised any time up to expiry. Index Options are European style Options and can only be exercised on the expiry date.

Any in-the-money Options may be automatically exercised at expiry. If you do not wish for your Option to be automatically exercised, you must notify Ascot Securities prior to the expiry day.

If you have any further queries around option expiry, please contact your Ascot Securities Adviser.

Settlement

All option trades to open or close a position are settled on a T+1 basis – which means the next trading day after the transaction.

You must be in a position to settle any obligation in relation to any option trade within 24 hours of the transaction.

If an equity Option is exercised, the Writer will need to pay for and take delivery of the underlying securities the settlement day after the expiry date or date the option was exercised.

For an index Option, cash settlement will be paid to the Takers upon exercise on the first settlement date after expiry.

Option Strategies

The following are the basic option strategies available to investors. There are many more complex option strategies but all will be based on these 6 core strategies.

BULLISH Strategies	• Long **CALL** • Short **PUT**
BEARISH Strategies	• Long **PUT** • Short **CALL**
Equity / Option Combinations	• Protective **PUT** • Protective Covered **CALL**

Bullish Strategies

- **LONG Call**; and
- **SHORT Put**

LONG Call

If you expect the price of the underlying share to **increase** then you could consider a Long Call option over the underlying shares.

A Long Call will give you leveraged exposure to the anticipated price increase and locks in a share price for the underlying shares.

If you buy a Call Option and the underlying share price increases, it will be 'in-the-money' and you will need to choose to exercise the option at expiry (and buy the underlying shares at the agreed price) sell the option at a profit.

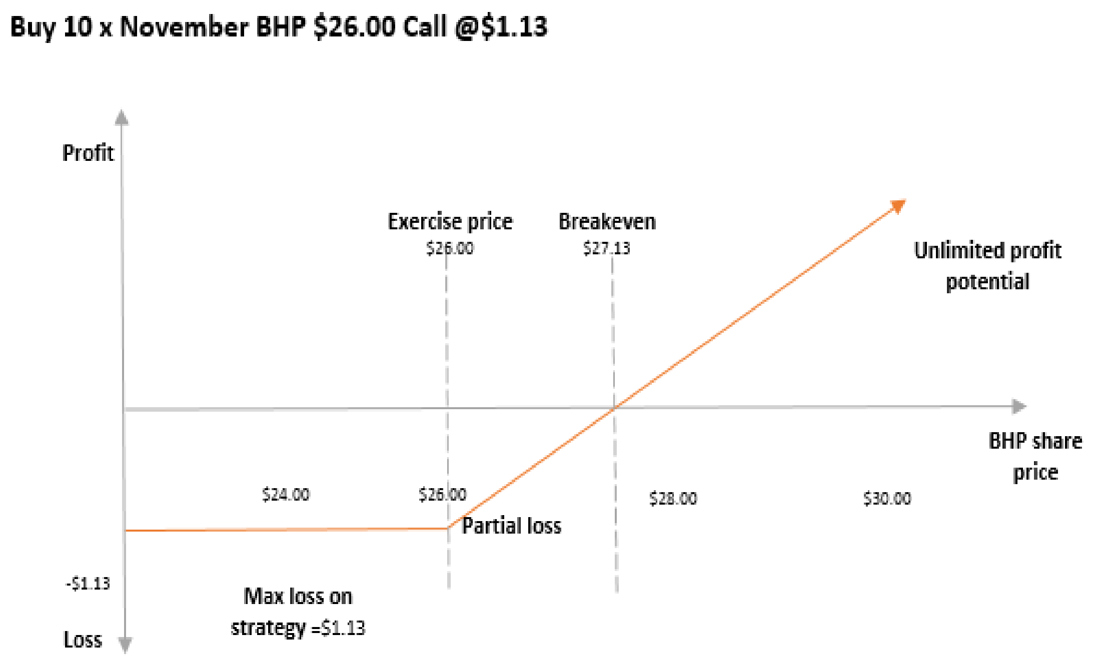
If the underlying share price fails to increase, then you may decide to close the position prior to expiry and recover some of the premium you initially paid.

The breakeven point for this trade is where the underlying share price equals the exercise price.

The maximum profit you can earn is unlimited (as the price of the shares you agree to buy may continue to increase).

The maximum loss for this strategy is the money you paid in premium.

The following graph is a pay-off diagram to demonstrate the breakeven point, maximum loss and the unlimited profit potential for a Long Call:



SHORT Put

If you expect the underlying share price to increase or remain steady, you may consider opening a short Put position so you can earn additional income (from the premium) and buy the underlying shares at a pre-agreed price which may be lower than the market price at the time of opening the position.

The profit from a short Put is limited to the premium received for selling the Option and will be realised if the share price at expiry is above the exercise price – meaning the Put option expires and is not exercised.

If the share price at expiry is equal to the exercise price, less the premium paid, you will break even.

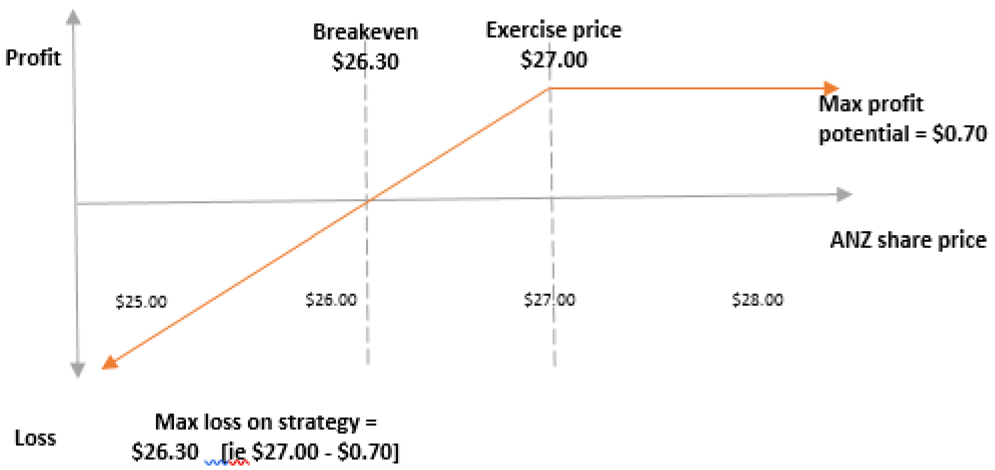
If the share price falls, the losses are limited only by the fall in the share price. The lowest a share price can fall is to zero.

If the seller of an in-the-money Put Option does not close out the position prior to expiry, the option may be assigned and the seller will have to 'buy' the underlying shares at the pre-agreed price which may be higher than the current market price.

Some investors write (sell) Put options so that they can acquire the underlying shares at a price which is lower than the share price at the time of writing the position. The risk is that the share price may continue to fall and trigger unanticipated losses for the Writer.

The following graph is a pay-off diagram to demonstrate the breakeven point, maximum loss and the maximum profit potential for a Short Put:

Sample: Sell 10 x November ANZ $27.00 Put @$0.70



Bearish Strategies

- **LONG Put**; and
- **SHORT Call**

LONG Put

If you expect the price of the underlying share to decrease then you may wish to consider a Long Put option over the underlying shares.

By buying a Put Option over a share that decreases in value gives you leveraged exposure to the price fall, and is one of only a few ways to profit from a falling share price.

The maximum loss for a long Put is the premium you pay for the Option. If the share price at expiry is above the share price than the Option would be out of the money and either be closed or lapse at expiry and the Taker will only lose the premium they paid.

If the share price is equal to the exercise price less premium paid than you will break even.

If the share price is less than the exercise price less premium paid, then the position is in the money and you can exercise the Option and the Writer has to buy the underlying shares from you at the pre-agreed exercise price.

The Writer then runs the risk that the share price will continue to fall and in the worst case scenario hit zero.

The following graph is a pay-off diagram to demonstrate the breakeven point, maximum loss and the maximum profit potential for a Long Put:

Sample: **Buy 10 x November BHP $22.00 Put @$1.12**

SHORT Call

If you anticipate a fall in the price of the underlying shares you could profit from selling a Call Option over the underlying stock.

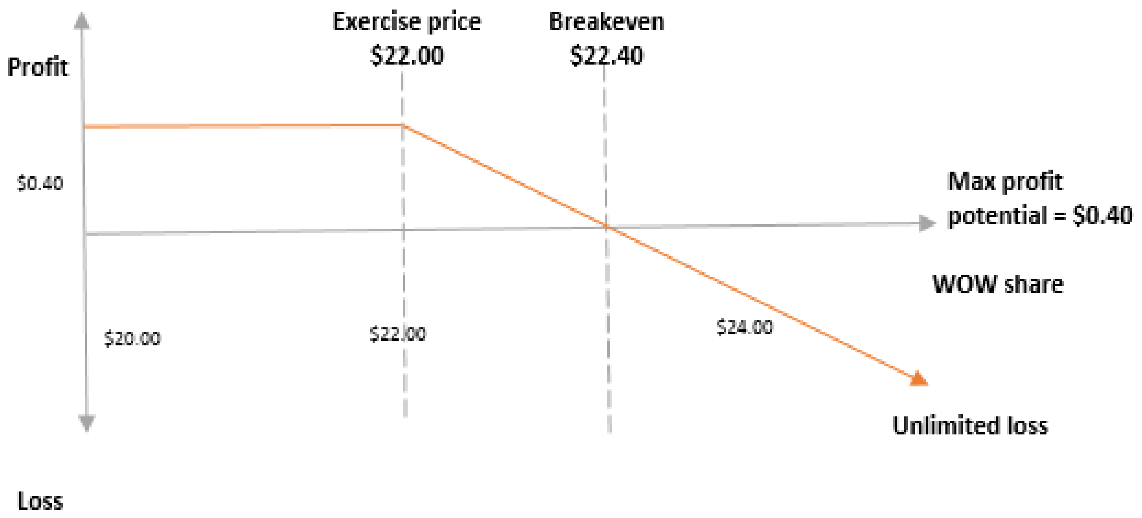
In this scenario, if you are correct and the stock price falls below the pre-agreed exercise price by expiry than you retain the premium and the option expires unexercised.

However, if you get it wrong and the share price actually increases above the exercise price, then the position may be exercised if it is not closed. If the Call option is exercised, the Writer will have deliver the number of underlying shares to which the option relates. You will need to enter the market to buy the shares at higher rate than the pre-agreed price so you will incur a loss. Given there is no limit to how far a share price can increase, this means that the loss for a Writer of a short Call could be unlimited.

It is critical that the Writer of a Call watches the market closely if the position is in the money and take corrective (close out) action before the position is exercised**.**

The following graph is a pay-off diagram to demonstrate the breakeven point, unlimited loss and the maximum profit potential for a Short Call:

Sample: Sell 10 x November WOW $22.00 Call @$0.40



Equity / Option Combinations

- **PROTECTIVE Put**
- **PROTECTIVE Call**

PROTECTIVE Put

You may choose to implement a protective Put strategy where you physically own a parcel of the underlying shares and are concerned that the share price will fall in the short term.

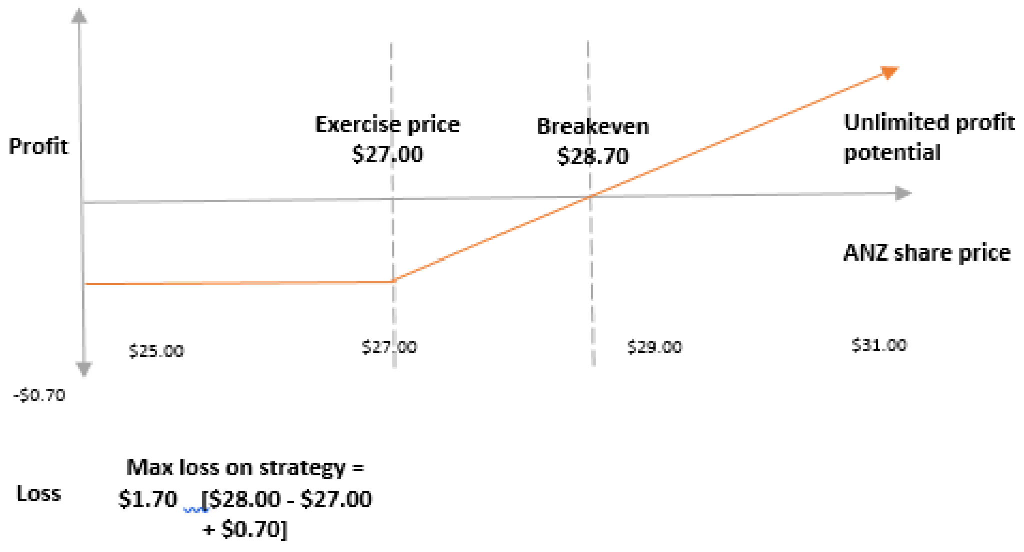
This strategy enables you to buy a Put over the shares at a pre-agreed price and if you are right and the share price of the underlying falls, you can exercise the Put and 'sell' your shares at the pre-agreed price which in this scenario is likely to be higher than the market price at expiry.

The Put option in this instance acts as 'protection' and assures you can sell your underlying shares at a specific price even though the share price may continue to fall.

As you already own the shares the maximum profit is unlimited as the share price of the underlying will be higher than the exercise price at expiry and may continue to increase over time. If you do not exercise the Put Option and allow the option to expire (meaning you continue to own the shares) the maximum loss to you is the premium you paid to buy the Put Option.

Holding 1,000 ANZ underlying shares

Buy 10 x November ANZ $27.00 Put @$0.70



PROTECTIVE Call

You may choose to implement a protective (covered) Call strategy where you physically own a parcel of the underlying shares and you would like to generate additional income in a flat market and it can provide protection against a fall in the market as the premium effectively lowers the break even point for the underlying.

This strategy enables you to sell a Call over the shares at a pre-agreed price and if you are right and the share price of the underlying stays flat or falls, the option may not be exercised and you keep the premium and the underlying shares.

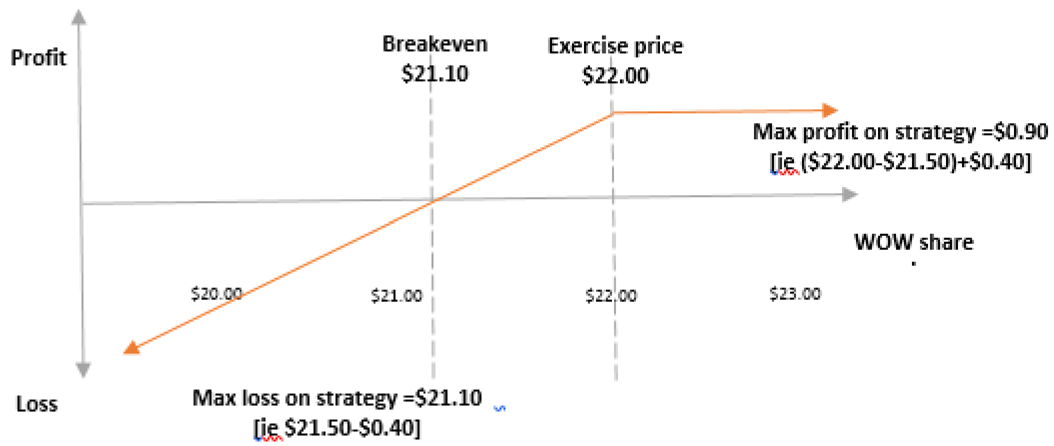
If the share price increase above the exercise (plus premium) than the Call may be exercised and you will have to deliver the underlying shares at the pre-agreed price. You will lose the ability to benefit from any further share price increases but you will still have the premium to compensate.

The maximum profit you can earn is the premium you receive. The loss is limited.

The Put option in this instance acts as 'protection' and assures you can sell your underlying shares at a specific price even though the share price may continue to fall.

As you already own the shares the maximum profit is unlimited as the share price of the underlying will be higher than the exercise price at expiry and may continue to increase over time. If the you do not exercise the Put Option and allow the option to expire (meaning you continue to own the shares) the maximum loss to you is the premium you paid to buy the Put Option.

Sell 10 x November WOW $22.00 Call @$0.40



Key Risks associated with Trading Options

Options do contain risks that may not be suitable for all investors. You should only engage in Option trading is you have a practical understanding of the basic concepts and risks involved in trading Options.

Options do contain a higher level of risk than other investment options, and therefore are more suitable for experienced investors with a high tolerance for risk and can access cash or shares to meet margin requirements.

If you are an inexperienced investor with a low risk tolerance, you need be very aware of the risks of entering into trades that have the potential for very large and unlimited losses — for example, writing an uncovered Call and Put Option.

The key risks that you need to understand include:

Market Volatility	Due to the volatile nature of Options prices there may be times where the market price of your Option moves significantly over a very short time. The price of the underlying stock will also impact the price of an Option. This volatility may impact the price at which you are able to trade a specific Option.
Expiry Date / Time Value	Options have a limited life and the value of the options erodes over the life of the Option and accelerates as the Option nears expiry. You will need to factor in the erosion of time value when deciding to invest in a specific Option series.
Leverage / Gearing	Options are leveraged products which means that you may lose more than your investment. Whilst your initial outlay may be relatively small to the total contract size, any market movements will have a larger impact on the value of the Option. In practice this means that whilst the leverage enables you to multiply your profits when you invest successfully, it can also mean that your losses will also be multiplied
Unlimited / Substantial Losses	If you write (sell) an uncovered (or naked) Call Option, your potential losses are unlimited if the market moves against your position (as the share price of the underlying can increase exponentially). If you write (sell) a Put Option whilst your losses are limited (as share prices can't fall below zero), there is a still a real risk of incurring substantial losses as markets tend to fall more sharply than they rise.
Margin Calls	You may be required to lodge cash with the ASX in the form of a margin call. Margin calls are made daily and in times of extreme volatility, ASX may impose an intra-day margin call on clients. Your liability in relation to written (sold) contracts is not limited to the margin you have paid and you may be required to pay additional monies to meet additional margin calls or settle your contractual obligations.
Adjustments	Corporate actions such as a restructure in the capital of the underlying security may trigger an adjustment on the relevant option contract. Change may be made to contract size, exercise price, expiry date, number of contracts and even the underlying securities.
Illiquid Markets	When the market moves against your position, you may find it difficult to close out an open position due to illiquidity and this may impact the price at which you are able to close out the Option.

	Market Makers play an important role in the maintaining liquidity in the Option market however, they are not obligated to assist individual investors to trade out of a specific strategy.
Regulatory Fair & Orderly Markets	ASX is required to maintain a fair and orderly market at all times. If there are any concerns around a particular market, ASX have the right to suspend trading, impose position limits or exercise limits and terminate open Option contracts. Any actions taken by ASX or ASIC to suspend, impose conditions or terminate contracts may impact you directly.
Cancellations / Rejections	Ascot Securities reserves the right to cancel or reject any Option order placed by You if a view is formed that it may disrupt the fair and orderly nature of the market. Such action may cause you to incur losses.
Trading Disputes	Under the ASX Operating Rules, certain trading disputes between ASX Market Participants (for example errors involving traded prices that do not bear a relationship to fair market or intrinsic value) may lead to ASX cancelling or amending a trade. In this situation, your consent is not required for the cancellation of a trade.
System Disruptions	There is the possibility of temporary disruption to, or failure of the trading facilities or systems used in ASX's options market, which may result in your order not being executed according to your instructions or not being executed at all. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, ASX, ASX Clear or your broker.

Margins

Margins are designed to protect the financial security of the market and a margin amount is calculated by ASX as necessary to ensure you can meet your obligation on a specific trading day.

If you write (sell) an option contract you may have an obligation to pay a margin to ASX on that position. Margin obligations may be satisfied by cash or lodgement of collateral.

ASX calculates margins using the CME Span margining calculation engine. The total margin for ETOs comprises:

- **Premium margin** - 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.

- **Initial margin** - covers the potential change in the price of the option contract assuming the assessed maximum probable inter-day movement in the price of the underlying security. To calculate the Initial Margin, CME SPAN 4.0 uses the published price scan range (also referred to as the margin interval).

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

The ASX website has a comprehensive brochure on margins and how they are calculated. The “Margins” brochure can be found in the “Documents and Publications” section.

If you are required to pay a margin, you will be required to provide cash or collateral to cover your margin obligations.

Ascot Securities imposes a 1.5 times ASX margin obligation on all clients to provide an additional ‘cash buffer’. There is a range of collateral that is acceptable to ASX. This includes certain shares and bank guarantees. ASX applies a “haircut” in relation to the value of some collateral to protect against a sudden fall in the value of collateral held.

Details of eligible collateral are published on the ASX website at www.asx.com.au/services/ clearing.htm under the acceptable collateral section.

Margins are calculated on a daily basis to ensure an adequate level of margin cover is maintained at all times. This means that if the market moves against you during the day, you may have to pay more margin the next day. If the market moves in your favour, margins may reduce and be returned to you.

Settlement requirements for trading options are strict. You must pay margin calls within 24 hours of being advised of the margin call. If you do not pay in time, your open positions may be closed out without further reference to you and you will be solely liable for any losses that are incurred as a result.

Fees and Charges

Type of Trade or Service	Cost / Fee
Opening a position	Minimum of $100 or 1% of trade value
Closing a position	Minimum of $100 or 1% of trade value
Exercising an Option	Minimum of $100 or 1% of trade value
Assignment of an Option	Minimum of $100 or 1% of trade value
Lodgement / Withdrawal of Collateral	Up to $125
Failed Margins	Minimum of $25 up to 1%
Failed Trades	Minimum of $25 up to 1%

Note: Pershing may impose additional charges for the services they provide and these may be passed on to you.

Your Open Positions & Risk Management

It is important that when you are trading Options, that you are aware of:

- Costs of trading options;
- How to track the value of your Options and open positions;
- The actual exposure risk and close out costs of all your open positions; and
- The requirement to pay margins and the potential impact a margin call may have on your financial position

Ascot Securities is able to offer you real time data on your Option positions which includes:

- Current Open Positions
- Profit / loss by position
- Close out costs (real time)
- Delta on specific open positions (real time)
- Estimated margin calculations
- Scenario calculations to help you decide what action to take
- Margin utilisation across your account
- Current collateral lodged on your account
- Current cash balances

You are able to contact your Adviser at any time and request real time information in relation to your Option positions.

Trading Hours

Ascot Securities Options trading desk is open from 8am to 5.30pm (Sydney time), Monday to Friday.

Ascot Securities Advisers will accept orders via telephone or via email. Email instructions will only be accepted where you have reached an agreement with your Adviser to deliver orders via this medium. Any orders submitted via email will only be deemed to have been accepted at the time the email is 'read' and all orders will be deemed to have been submitted by you.

All ASX Option orders are good for that trading day only.

Market and limit orders can be placed within these hours:

- **Equity Options** 8am to 4.20pm (Sydney time) Monday to Friday
- **Index Options** 8am to 5pm (Sydney time) Monday to Friday

Tax Implications

Ascot Securities does not provide any taxation advice.

You do need to take into account taxation implications when trading in Options. Some of the questions you need to be mindful of include, but are not limited to:

- 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 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?

You should consult your own tax adviser or accountant on the tax implications of trading Options.

ASX has published a paper discussing the taxation treatment of options, please refer to the ASX website, at www.asx.com.au/options (under the related information section section).

This document covers aspects of options trading such as:

- classification of the options trader as a trader, speculator, hedger or investor
- the treatment of realisation of profits or losses from options trading
- the use of options in superannuation funds
- franking credits – Holding Period Rule and Related Payments Rule.

Complaint Handling

Whilst we are committed to providing a level of service our valued Clients expect of Ascot Securities, we understand that with any transactional business issues may arise from time to time.

The Ascot Securities team is committed to resolving all issues in a timely and efficient manner as we value our clients and take pride in delivering a high quality level of service at all times.

If you would like to raise an issue with Ascot Securities please contact us as soon as possible after identifying the issue.

You may either contact your Adviser directly or the Ascot Compliance team via email or over the phone. The details of the Compliance team are:

Email: Compliance@aaigl.com.au

Phone: 03 8689 8714

The type of information that is required for us to understand the circumstances and find a resolution quickly includes:

- A copy of any supporting documentation (e.g emails, copy of confirmations etc)
- A brief chronology of events to explain what has happened;
- Identifying any persons who may have been involved and details of any conversations you may have had already had in relation to the incident you are reporting;
- Expressly outlining what you would like Ascot Securities to do in order to resolve the matter.

Most issues can and will be resolved quickly, however, under the rules governing complaints handling we have up to 45 days to deal with any complaint you may have. We will make all reasonable attempts to keep you informed of our progress if your complaint takes longer than 45 days to resolve.

If any dispute is not satisfactorily resolved after 45 days, you have the right to lodge a complaint with the Financial Ombudsman Service Limited (FOS), a body recognised by the Australian Securities and Investment Commission.

For further information please contact FOS at:

- **Phone:** 1 300 78 08 08
- **Fax:** (03) 9613 6399
- **Internet:** www.fos.org.au
- **Mail:** GPO Box 3
Melbourne VIC 3001

The National Guarantee Fund (NGF) provides ASX Option traders with protection in the following circumstances:

- If an Option is exercised, the NGF guarantees completion of the resulting trades in certain circumstances.
- If you have entrusted property to Ascot / Pershing in the course of dealing in Options and Ascot and / or Pershing later becomes insolvent, you may claim on the NGF for any property which has not been returned to you or has not otherwise been dealt with in accordance with our obligations to you.

For more information regarding the NGF, visit segc.com.au or call (02) 9227 0424.

Contact Us

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Website: www.ascotsecurities.com.au

Phone: 02 9261 5828