



Tier 2 Trading Upgrade – Exchange Traded Options


Options Trading is a service provided by Australian Investment Exchange Ltd (The Participant, we, us or our) ABN 71 076 515 930 AFSL 241400, a Participant of the ASX Group and Chi-X Australia.

Form ID: 1042

Where to send this form?

Please provide your completed and signed form with any relevant supporting documents to your adviser.

Adviser use only: Use this Form ID to securely submit the documents via eSubmit. To use eSubmit, log into the CommSec Adviser Services website and go to: **Administration > eSubmit**

 Filling out this form will enable you to qualify for Tier 2 of Options trading. This will include Selling Uncovered Options (Call and Puts). All questions in section 3 must be answered correctly to be enabled with Tier 2 trading on your Exchange Traded Options Account.

Section 1 – Client Details

Options Account number

Account Name

Designation (if applicable)

Section 2 – Financial Details

1. Please detail the approximate value of your substantial assets and liabilities

(a) Applicant 1/ Director 1/ Trustee 1

Assets	Value
Primary residence	\$
Additional investment properties	\$
Number of properties	
Cash in bank accounts	\$
Listed shares (unencumbered)	\$
Other assets	\$
Total assets (A)	\$

Liabilities	Value
Name of mortgagor	
Property mortgage (primary residence and investment property)	\$
Credit Card (current balance)	\$
Line of credit/overdraft (drawdowns)	\$
Other debts outstanding (personal loans, car loans etc)	\$
Total liabilities (L)	\$
Net assets (A) – (L)	\$

(b) Applicant 2/ Director 2/ Trustee 2

Assets	Value
Primary residence	\$
Additional investment properties	\$
Number of properties	
Cash in bank accounts	\$
Listed shares (unencumbered)	\$
Other assets	\$
Total assets (A)	\$

Liabilities	Value
Name of mortgagor	
Property mortgage (primary residence and investment property)	\$
Credit Card (current balance)	\$
Line of credit/overdraft (drawdowns)	\$
Other debts outstanding (personal loans, car loans etc)	\$
Total liabilities (L)	\$
Net assets (A) – (L)	\$

(c) Applicant 3/ Director 3/ Trustee 3

Assets	Value
Primary residence	\$
Additional investment properties	\$
Number of properties	
Cash in bank accounts	\$
Listed shares (unencumbered)	\$
Other assets	\$
Total assets (A)	\$

Liabilities	Value
Name of mortgagor	
Property mortgage (primary residence and investment property)	\$
Credit Card (current balance)	\$
Line of credit/overdraft (drawdowns)	\$
Other debts outstanding (personal loans, car loans etc)	\$
Total liabilities (L)	\$
Net assets (A) – (L)	\$

Section 3 – Suitability Questions

1. You hold the following Option position for BHP Limited (BHP).

Short 20 BHP June \$38.00 Calls.

The share price of BHP rises from \$38 to \$39.

Which of the following statements is correct?

- (a) The margin required for this position will increase
- (b) The margin required for this position will decrease
- (c) The margin required for this position will be the same
- (d) No margins apply to this position

2. You enter the following Option position for Aurizon (AZJ):

Short 1 AZJ June \$4.50 Call for 10c (Contract size = 100). You are exercised on the expiry day in June. The following day, AZJ is trading at \$4.75.

What is your total profit / loss if you buy the shares at market price to cover your obligation (excluding brokerage and ASX Clear charges)?

- (a) Break even
- (b) \$15 loss
- (c) \$25 loss
- (d) \$35 profit

3. If additional margin is needed to cover a position, The Participant can:

- (a) Call you to lodge more stock or cash to cover the obligation
- (b) Automatically lodge cash or stock on your behalf with ASX Clear
- (c) Automatically sell shares you hold to cover the obligation
- (d) All of the above

4. All else remaining constant an increase in volatility for the underlying security leads to:

- (a) Lower option premiums
- (b) Higher option premiums
- (c) Flat option premiums
- (d) Lower strike prices

5. What is the total premium paid for the following option order in the S&P/ASX200 Index (XJO), assuming an Index Multiplier of \$10?

Long 1 XJO June 5000 Call @ 100 points.

- (a) \$100
- (b) \$1,000
- (c) \$1,100
- (d) \$2,000

6. Which of the following strategies would require a margin to be lodged?

- (a) Bull Put spread
- (b) Bull Call spread
- (c) Bear Put spread
- (d) All of the above strategies

7. You hold the following Bull Call spread position in Woolworths (WOW)

Long 5 WOW August \$29.00 Calls @ \$3.00

Short 5 WOW August \$31.00 Calls @ \$0.50

What is the most likely outcome if you only close (sell) the \$29 August Call series?

- (a) You will make a profit on the strategy
- (b) You will make a loss on the strategy
- (c) You will now be required to pay a margin
- (d) You will now no longer be required to pay a margin

8. Which of the following is not a valid Option strategy?

- (a) Bull Call spread
- (b) Ratio Bear Condor
- (c) Bull Put spread
- (d) Straddle

9. If you are assigned a Short Call position and don't hold the stock you will be required to:

- (a) Substitute cash for stock
- (b) Purchase the stock immediately after you are notified of the exercise
- (c) Make arrangements to purchase the stock the following week
- (d) Do nothing

10. You enter the following strategy for Telstra (TLS):

Buy 1 TLS May \$4.25 Call @\$0.25

Sell 1 TLS May \$4.50 Call @\$0.10

At what net price would the strategy be entered into the market?

- (a) \$0.35 Debit
- (b) \$0.15 Debit
- (c) \$0.35 Credit
- (d) \$0.15 Credit

11. What will happen if you do nothing and your Long Call expires in-the-money?

- (a) You will receive a cash settlement for the option value at expiry
- (b) Nothing your option will just expire
- (c) Your option will be automatically exercised
- (d) Your broker will pay your margin for you

12. What will happen if a stock you have lodged is removed from the eligible security list?

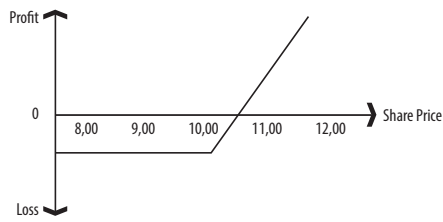
- (a) Your stock will stay lodged but you won't be able to lodge more of that stock
- (b) You will have to find an alternative collateral to cover your option positions(s) or close out your position(s)
- (c) This will have no impact on you
- (d) Your broker will pay your margin for you

Section 3 – Suitability Questions (continued)

13. Please choose the correct pay-off-diagram and calculate the breakeven point, maximum and minimum profit in the following scenario:

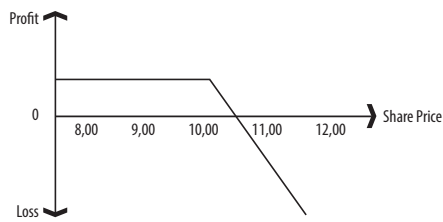
Company XYZ is trading at \$10.00. You sell 1 x \$10.00 XYZ Call for a premium of \$0.50.

(a)



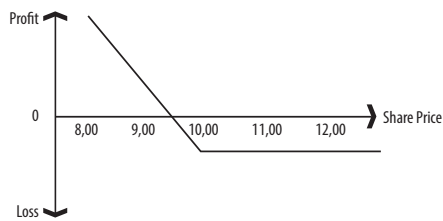
- Break-even \$10.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(b)



- Break-even \$10.50
- Maximum profit \$0.50
- Maximum loss unlimited

(c)

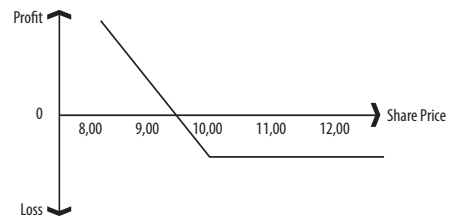


- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

14. Please choose the correct 'pay-off' diagram and calculate the breakeven point, maximum and minimum profit in the following scenario:

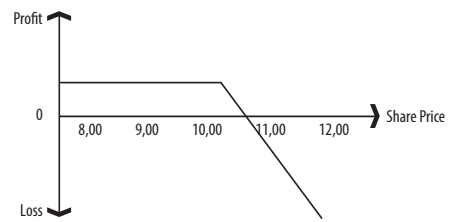
Company XYZ is trading at \$10.00. You sell 1 x \$10.00 XYZ Put for a premium of \$0.50.

(a)



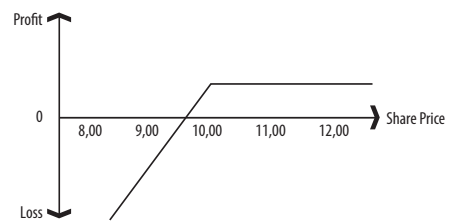
- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(b)



- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(c)



- Break-even \$9.50
- Maximum profit \$0.50
- Maximum loss \$9.50

Section 4 – Acknowledgement & Signature(s)

- I/We confirm that the information I/we have provided in this Tier 2 Trading Upgrade form is true and correct.
- I/We agree to a limited range of Exchange Traded Options trading strategies until I/we have successfully completed and answered all required Tier 2 questions, after which more complex strategies can be entered.
- I/We understand the term 'Leverage' as defined in the Risk Disclosure Statement in the Exchange Traded Options PDS, and have considered and accept all the risks involved when writing a Call or Put Option.
- I/We have read the ASX Margins booklet and are aware of my/our margin obligations when writing Call or Put Options.
- I/We understand that if I/we intend to lodge stock to meet my/our margin obligations I/we need to complete and mail in an original Registered Holder Collateral Cover Authorisation form.
- I/We understand that the Participant may call for proof of my/our ability to service the obligations of my/our open short positions. I/We agree to provide any requested financial statements and understand the Participant may restrict my/our trading activity until I/we have done so.
- I/We understand that the Participant requires all trades to settle through the same settlement arrangement as nominated on my/our Share Trading Account.
- I/We agree that when I/we give an instruction to write a Call or Put Option, that I/we have considered all information relating to that position that is available to the market (including but not limited to Financials, Announcements, Dividends, etc) and that I am/we are responsible for the instructions that I/we confirm for placement.
- I/We agree that when I/we enter an Options position, that at all times I/we will be responsible for that position up until that position has been closed in full, and that I am/we are required to meet all settlements on T+1.
- I/We understand that corporate actions and other anomalies that occur in the market without prior warning may adversely affect my/our position.
- I/We agree that at any time without giving prior notice, the Participant has the right to reduce the trading level of my/our account and/or close any open positions if it is considered to be in the Participant's reasonable interest to do so.

By signing this Tier 2 Trading Upgrade form in the place(s) provided, I/we acknowledge the correctness of these statements.

Applicant 1/ Director 1/ Trustee 1

Full Name

Signature

Date

Applicant 2/ Director 2/ Trustee 2

Full Name

Signature

Date

Applicant 3/ Director 3/ Trustee 3

Full Name

Signature

Date



Where to send the completed form?

Once completed and signed, please return the form by the eSubmit instructions provided on page 1.