

PART K

# D2MX terms and conditions

AFS Licence No. 297950

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D2MX Pty Ltd (ABN 98 113 959 596)  
Level 37, Rialto South Tower,  
525 Collins Street,  
MELBOURNE VIC 3000

A Participant of ASX Group

# D2MX terms and conditions

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## **Terms of your agreement with D2MX Pty Ltd ABN 98 113 959 596 AFSL 297950**

This document contains important information regarding the terms and conditions which apply to your brokerage account with D2MX. These terms and conditions apply to all execution and general advice dealings between you and us. By placing an Order with D2MX you accept the terms and conditions contained in this document.

### **PLEASE READ THIS DOCUMENT CAREFULLY AND RETAIN IT FOR YOUR FUTURE REFERENCE.**

## **1. Your agreement with D2MX**

D2MX is admitted as a Trading Participant of ASX with Trading Permission in respect of Traded Products. It may in future also become a participant of other Relevant Exchanges.

D2MX has entered into an arrangement with you under which you may place orders with D2MX to buy or sell or otherwise deal in Traded Products.

If you wish to buy or sell or otherwise deal in Traded Products on ASX, you will communicate your Order to D2MX. If and only if D2MX grants you access to the online broking/direct market access system (**DMA Service**), you may also place Orders directly with D2MX through the DMA Service.

Whenever you affect a Market Transaction in this way, Pershing carries the obligations to complete the relevant transaction. Information concerning Pershing and the terms and conditions of your agreement with Pershing are contained in the separate Disclosure Statement given to you by D2MX.

## **2. Your relationship with D2MX**

Unless otherwise agreed in writing, your primary relationship will be with D2MX and will be limited to general advice and the execution of Orders. You acknowledge that D2MX will not provide personal financial product advice, or legal, tax, financial or accounting advice or make any financial product recommendations to you or give a Statement of Advice to you as part of the service to be provided to you by D2MX unless otherwise agreed in writing and subject to separate agreed terms and conditions.

## **3. Trading in ASX derivatives products, warrants and partly paid securities**

### **3.1 Derivative Products**

If you wish to trade in Derivatives Products, the terms in Schedule 2 will apply to you. However, before you may place an Order to trade in Derivatives Products, you will need to sign and return the Client Application to D2MX or otherwise confirm in writing to D2MX that you agree to be bound by the terms of this agreement (including schedule 2).

### **3.2 Warrants**

If you wish to trade in ASX Warrants, the terms in Schedule 3 will apply to you. However, before you may place an Order to trade in Warrants (other than an Order to sell a Warrant already

held by you), you will need to sign and return the Client Application to D2MX or otherwise confirm in writing to D2MX that you agree to be bound by the terms of this agreement (including schedule 3).

### **3.3 Partly Paid Securities**

If you wish to place an Order to buy Partly Paid Securities, the terms in schedule 4 will apply to you. However, before you may place an Order to buy Partly Paid Securities, you will need to sign and return the Client Application (including Schedule 4) to D2MX or otherwise confirm in writing to D2MX that you agree to be bound by the terms of this agreement (including schedule 4).

## **4. Sponsorship**

Unless agreed otherwise with D2MX, if you wish to buy, sell or otherwise deal in Traded Products under these arrangements, you must have a current Sponsorship Agreement with Pershing to enable easy transfer of your Traded Products under CHESS.

## **5. General conditions of trade**

You acknowledge and agree:

- (a) to comply with these terms and conditions and all applicable legislation and the ASIC Market Integrity Rules, ASX Operating Rules, ASX Clear Operating Rules and ASX Settlement Operating Rules and the directions, decisions and requirements of ASX and the customs and usages of the Market. Copies of the ASIC Market Integrity Rules, ASX Clear Operating Rules and ASX Settlement Operating Rules can be inspected at offices of D2MX upon request; and
- (b) all Market Transactions are subject to the terms and conditions contained in this agreement, and on the Confirmation issued by or on behalf of D2MX, and to the ASIC Market Integrity Rules, ASX Clear Operating Rules, the directions, decisions and requirements of ASX and the customs and usages of the Market, the correction of errors and omissions and, if the sale or purchase is in relation to CS Approved Products, the ASX Settlement Operating Rules.

## **6. Account opening**

You may apply to open a new Client Account with D2MX by completing an Application. D2MX may refuse to open a new Client Account for any reason in its absolute discretion.

You warrant and represent that:

- (a) the nominated account is an account in your name;
- (b) if you are more than one person or entity, then each such person or entity shall be jointly and severally liable under these Terms and Conditions;
- (c) if you are acting as trustee, you have the authority to be bound by these Terms and Conditions;
- (d) if you are a corporation, you hold a valid ACN or ABN under the Corporations Act and your principal place of business is in Australia;
- (e) if you are acting as an intermediary on another person's behalf, you are specifically authorised to deal in the relevant Traded Products, and you have the appropriate AFS Licence;

- (f) if you are a natural person, you are 18 years of age or over; and
- (g) each Order you place and each Market Transaction executed for you is lawful and you will at all times be in a position to meet all commitments on your part arising from Market Transactions under this agreement.

## 7. Orders and instructions

You agree that, if you wish to place any Order, you must communicate your Order and other instructions or information to D2MX. You may only terminate your authority for D2MX to act on your behalf by terminating this agreement. If (and only if) you are granted access to the DMA Service, you may also place Orders directly with D2MX through the DMA Service and you agree to be bound by the terms set out in Schedule 1.

D2MX may at any time, in its absolute discretion, refuse to accept any (or may place a limit on any) Order from, or execute Orders (including without limitation Orders relating to Derivatives Market Transactions) for, you (whether the Order is placed directly by you over the telephone or through the DMA Service). D2MX will not confirm to you the receipt of, nor will it be responsible for verifying the authenticity of any instructions given to it by or on behalf of you.

Subject to any instructions from you, D2MX will generally execute Orders in the sequence in which they are received. However, you acknowledge and agree that:

- (a) your Order may be automatically crossed against other orders before reaching the Market;
- (b) you will be charged the normal rate of commission for Orders which are crossed with D2MX's principal orders; and
- (c) D2MX may not be aware of principal orders that are being (or may be) executed, and that direct market access arrangements and program trading may make it impossible to prevent principal orders from being executed at the same time as (or before) your Order. Accordingly, you agree that D2MX may execute principal orders where your Order on the same terms is outstanding and that this document constitutes disclosure as required by ASIC Market Integrity Rule 5.1.8.

## 8. Licensee's use of DMA Service

D2MX may provide a DMA Service to you under which you may place your Orders directly into the Trading Platform through an electronic automated client order process. You acknowledge that if D2MX provides a DMA Service to you:

- (a) there may be delays in the processing, execution, amendment or cancellation of an Order entered through the DMA Service and:
  - (i) an Order may be wholly or partly filled before an instruction for its amendment or cancellation is processed; and
  - (ii) you remain liable to settle the original Order, until any relevant amendment or cancellation is effected;
- (b) the execution of an Order placed through the DMA Service may be delayed by filters or other electronic features of the electronic system;
- (c) D2MX is not responsible for the processing, execution or cancellation of any Orders submitted through the DMA Service, regardless of who enters such Orders and regardless of whether or not there is an error in the Order entry or for any delays in relation to the same;

- (d) except as required by law, D2MX makes no representations or warranties express or implied with respect to the DMA Service;
- (e) there are significant risks in trading through a DMA Service because it is serviced by means of computer and telecommunications systems, even where generally accepted industry standards and practices are followed, including that your data may not be protected, and there are risks that other users of the DMA Service, institutions or brokers may be able to see your Orders and other communications relating to trading and execution without your (or D2MX's) consent and that third parties (including persons on private networks) will have the ability to attach to your network; and
- (f) D2MX may terminate your participation in the DMA Service at any time without notice to you. If D2MX terminates your participation in the DMA Service, any access that you may have authorised for other persons to trade on your Client Account using the DMA Service will terminate at the same time.

## 9. Orders relating to sales

You agree that whenever you place a sale Order, you must notify D2MX whether or not your sale Order is a covered short sale – i.e. a sale where you have, at the time you place the sale Order, a legally binding commitment from a securities lender to lend the securities to you under a Securities Lending Arrangement.

Where your sale relates to a covered short sale, you must also inform D2MX at the time of placing the sale Order:

- a. the number of ASX Products to be sold that are to be delivered under the Securities Lending Arrangement;
- b. a description of the ASX Products (e.g. fully paid ordinary shares); and
- c. the name of the entity that issued the ASX Products (e.g. BHP Billiton Limited).

You acknowledge that D2MX will not be permitted to execute a sale Order for you unless you have informed D2MX whether or not the sale Order relates to a covered short sale. You agree that, each time you place a sale Order with D2MX and notify D2MX that the sale Order relates to a covered short sale, you will be taken to have warranted and represented to D2MX that the sale will meet the requirements and conditions of the Corporations Act, Corporations Regulations and ASIC Class Orders (if any) (as amended from time to time) relating to covered short sales, (including without limitation that you have obtained a legally binding commitment from a securities lender to lend the relevant securities to you under a Securities Lending Arrangement).

## 10. Settlements

### 10.1 Settlement date and time

The Settlement Date and Time for sales or purchases is the date and time specified on the relevant Confirmation, or if no date and time are specified, it is 9.00am (Sydney time) on the third Business Day after the execution of the Market Transaction or, in the case of a Derivatives Market Transaction, on the first Business Day after execution of the Derivatives Market Transaction.

You represent and warrant that before placing any Order with us:

- a) you will be in the position to pay for any Traded Products purchased and have a presently exercisable and unconditional right to vest any Traded Products sold to enable settlement at Settlement Date and Time;

- b) in the case of a Derivatives Market Transaction, have the means to meet the obligations and margin requirements in respect of the Derivatives Market Transaction; and,
- c) . you will not place an Order for an AQUA Product unless you have received and read the Product Disclosure Statement relating to the product and the ASX Fact Sheet in relation to the ASX Managed Fund Settlement Service.

## 10.2 Purchases

You agree to and must ensure that all funds required to settle the relevant Market Transaction, and all brokerage, taxes costs, duties and charges in respect of that Transaction, are made available in your Cash Account before you place the Order in respect of that Market Transaction for withdrawal by Pershing. Payment in cash is not acceptable.

On the execution of a Market Transaction, which will, on settlement, require you to pay an amount of money to D2MX or Pershing, you acknowledge that the amount will be “locked” in your Cash Account. From that time, you will not be entitled to withdraw those “locked” funds from the Cash Account. Only Pershing will be entitled to use those funds for the purposes of settling the relevant transaction or otherwise as permitted under this agreement.

You authorise Pershing to:

- (a) appropriate any credits, payments receipts or amounts to which you are entitled (including amounts standing to the credit of any trading or cash management trust account); and
- (b) set off those credits, payment, receipts or amounts against any amount due or owing by you to D2MX.

Neither Pershing nor D2MX is required to transfer you any securities or other financial products acquired or purchased on your behalf, until D2MX has been paid in full for the relevant acquisition.

## 10.3 Sales

All documents and Security Holder Information (including the holder identification number and if applicable, holder reference number) must be received in a deliverable form two Business Days prior to the Settlement Date and Time.

Credits in respect of sales are not available until the latest of:

- (a) the Settlement Date and Time;
- (b) when all documents and Security Holder Information have been received in a deliverable form; or
- (c) all amounts due and payable by you to D2MX have been paid.

Sale proceeds will be paid directly to you unless D2MX has agreed alternative arrangements with you.

## 10.4 Confirmations

You will be given Confirmations as required by the Corporations Act and the ASIC Market Integrity Rules. You acknowledge that these may be in the form of a confirmation given by D2MX.

You authorise D2MX to dispatch confirmations to you electronically to the email address notified to D2MX from time to time for this purpose.

You must promptly check the accuracy of every confirmation sent to you and notify D2MX immediately of any error that you consider may have occurred. If D2MX does not receive any



such notification from you within 24 hours, you will be taken to have accepted the accuracy of the Confirmation.

A Confirmation may at any time be re-issued to you in order to correct any errors or omissions and the terms and conditions of the original Confirmation will apply in relation to the reissued Confirmation.

If you are a Wholesale Client for the purposes of the ASIC Market Integrity Rules, D2MX may elect not to give any Confirmations to you in relation to Market Transactions executed for you. If D2MX so elects, this document is taken to be the notification required to be given by D2MX to you under the ASIC Market Integrity Rules.

Where D2MX enters into multiple Market Transactions in order to complete your Order, you authorise D2MX to accumulate those Market Transactions on a single Confirmation and to specify the volume weighted average price for those Market Transactions on that Confirmation. If requested by you, D2MX will, if required under the ASIC Market Integrity Rules, give you a statement of all the individual prices of the relevant transactions which are accumulated and averaged in a Confirmation.

## **10.5 Failure to settle**

If you fail to settle by failing to make payment, or deliver any documents or Security Holder Information to Pershing in accordance with the relevant Confirmation, the Pershing Disclosure Statement or this agreement and Pershing exercises its right to assign the relevant debt to us, D2MX may do one or more of the following:

- (a) pass on to you all costs incurred as a result of that failure;
- (b) charge an administration fee calculated by reference to the additional cost which may be incurred by D2MX as a result of your failure to settle;
- (c) levy a default charge on the amount from time to time outstanding at a rate which D2MX would be required to pay on an overdraft facility with its then current bankers;
- (d) charge interest on any debit balances resulting from the failure to settle;
- (e) sell out (or procure the sale of) any securities or other financial products purchased on your behalf (and you are fully responsible for any loss in connection with such sale) and apply the proceeds in reduction of your liability to D2MX;
- (f) sell out (or procure the sale of) any securities or other financial products otherwise held by Pershing or D2MX on your behalf (and you are fully responsible for any loss in connection with such sale) and apply the proceeds in reduction of your liability to D2MX;
- (g) buy-in (or procure the purchase of) any securities or other financial products sold (with you being fully responsible for any loss in connection with such purchase) and recover the costs in so acting (and you acknowledge and agree that D2MX may be obliged to do so under the ASX Settlement Operating Rules if you have failed to settle the sale or ensure that the sale is settled by the fifth Business Day after the relevant sale order was executed);
- (h) apply any cash held by D2MX on your account to which D2MX has access, or payments received for or from you, to reduce your liability to D2MX; and
- (i) cancel any of your unexecuted orders,

and you authorise D2MX and each of its directors and employees as your attorney to give instructions on your behalf in respect of your Traded Product holdings sponsored by Pershing or D2MX in CHESS, or held by any of their related bodies corporate in nominee holdings, and in

respect of call deposit facilities or cash management trust accounts on which they are authorised to give instructions, to enable D2MX to realise those Traded Products or funds and apply the proceeds in reduction of your liability to D2MX and to recover D2MX's costs in so acting.

If you fail to settle, D2MX may make arrangements on your behalf to ensure that your settlement obligations are performed.

You are responsible for and indemnify D2MX against all costs (including legal costs on a full indemnity basis), expenses, damages and losses arising in connection with any settlement failure referred to above including, without limitation, any consequential loss, brokerage, stamp duty, taxes, penalties, interest and legal costs.

You must pay or reimburse D2MX any such administration fees and default charges and any amounts covered by the indemnity as above (together with any GST payable on those amounts) immediately upon demand. D2MX may deduct any of those amounts (and any GST) from any sale proceeds or other amounts otherwise payable to you.

## 11. Cancellations

You authorise D2MX to, and agree that D2MX may, without your consent, cancel or amend (or request or agree to the cancellation or amendment of) any Market Transactions or Crossing relating to the sale or purchase (as the case may be) of Traded Products:

- (a) if a Relevant Exchange or D2MX exercises its power under the ASIC Market Integrity Rules to cancel or amend (or require the cancellation or amendment of) the market Transaction or Crossing; or
- (b) in the event of an error or otherwise in the circumstances contemplated in the ASIC Market Integrity Rules, your obligations in relation to the settlement of a Market Transaction cease to apply in respect of a cancelled transaction from the time it is cancelled.

## 12. Disclosure of interest

You acknowledge that D2MX may execute Orders for you in circumstances where D2MX or any of its associates:

- (a) holds a principal position or deals in the Traded Products;
- (b) provides similar services to other persons in relation to the Traded products;
- (c) takes the opposite position in a Market Transaction (including a crossing either acting for another client entitling it to charge commission on both sides of the transaction or on its own account);
- (d) sponsors or underwrites a new issue involving the Traded Products;
- (e) has material price sensitive information relating to Traded Products where the individuals processing your Order are prevented from knowing or taking into account such information by reason of Chinese Walls; or
- (f) has a potential conflict of interest of which you are not aware and which it is unable to disclose to you.

### 13. Fees and charges

You agree to pay D2MX (or Pershing as D2MX's agent) on demand all Market Transaction fees and charges, including our commission, software fees and other duties and taxes payable at the rates determined by D2MX from time to time and notified to you in writing.

You agree to pay D2MX on demand interest on any amounts owing to D2MX, at the rate at which D2MX would be required to pay on an overdraft facility with its current bankers at the relevant time.

### 14. GST

If D2MX is liable to pay GST on any supply made to you under or in connection with these terms, you must in addition to and at the same time as you are required to pay the GST exclusive amount in respect of the relevant supply, pay to D2MX an amount equal to the amount of GST for which D2MX is liable in connection with the relevant supply.

### 15. Interest on Pershing's trust account

You acknowledge that the D2MX Clearing Participant, Pershing, will retain the interest (if any) earned on monies held in its trust account from time to time.

### 16. Indemnity

In addition to the above, if as a result of failure by you to settle, or other breach by you of this agreement or other agreement with D2MX, D2MX or any of its employees, agents and representatives (each an Indemnified Person) suffers any claim, liability, direct or consequential loss or incurs any cost, charge or expense of any nature, you must on demand fully indemnify each Indemnified Person and keep each of them fully indemnified in respect of such claim, liability, loss, cost, charge or expense.

### 17. Amounts owing

If you have not paid any debt to D2MX, D2MX may assign that debt to you and you agree that the assigned debt is an obligation of yours to D2MX.

### 18. Information

You warrant that all information provided by you to D2MX or Pershing (including in your Application) is, or will be when given, accurate, true and correct and further agree to immediately notify D2MX in writing upon becoming aware that such information is no longer accurate, true and correct including any change in address, telephone number or email address.

You agree that D2MX and Pershing may share such information, as well as your account details and information regarding your transactions in Traded Products with each other and with D2MX's related bodies corporate on a confidential basis as D2MX considers appropriate. You also consent to D2MX and Pershing disclosing such information and your account details to any regulatory authority, and consent to each of them using such information and your account details for the purposes of monitoring compliance by you, or any of them with their respective regulatory and contractual obligations, and resolving disputes.

### 19. Acknowledgements

You acknowledge that:

- (a) you have received a copy of the D2MX Financial Services Guide (FSG). D2MX reserves the right to change the FSG at any time without notice, subject to its obligations under the Corporations Act. A copy of the current FSG can be obtained on the website or on request;
- (b) if you have been referred to D2MX by or on behalf of a broker or other third party, that broker or third party may receive benefits in the form of a commission or rebate from us;
- (c) you have read and understood all documentation provided to you by D2MX including this agreement, any product disclosure statement, ASX Explanatory Booklet for Understanding Options Trading and Understanding Trading and Investment Warrants (if applicable); and
- (d) where you receive Confirmations by electronic means only, you accept that the conditions set out in the ASIC Market Integrity Rules apply.

## 20. No personal advice

You acknowledge that D2MX will not provide you with personal financial product advice, and does not accept responsibility for any personal financial product advice given to you. To the maximum extent permissible by law, you agree that you must not represent to any person that D2MX has given any personal financial product advice to you. D2MX has no liability (including in negligence) for any investment decisions made by you or any Market Transactions executed on your behalf, including any diminution in value, in or for your account.

You acknowledge that any general advice provided by D2MX will not take into account your financial situation, investment objectives and particular needs and you will seek independent advice before you transact with respect to such advice.

## 21. Credit references

You agree that D2MX may make such enquiries as it thinks fit of any person, including your employer, your bank or a credit agency relating to your creditworthiness.

## 22. Anti-Terrorism/Money Laundering

You acknowledge that we are subject to various anti-money laundering and counter-terrorism financing laws (**AML/CTF Laws**) which may prohibit us from offering services or entering into or conducting transactions. You agree that we are not required to take any action or perform any obligation under or in connection with this document if we are not satisfied as to your identity or where we suspect on reasonable grounds that by doing so we may breach the AML/CTF Laws.

You acknowledges that the AML/CTF Laws include prohibitions against any person dealing with the proceeds of or assets used in criminal activity (wherever committed) and from dealing with any funds or assets of, or the provision of finance to, any person or entity involved (or suspected of involvement) in terrorism or any terrorist act

You agree that we may delay, block or refuse to make any payment or to provide any service if we believe on reasonable grounds that to do so may breach any law in Australia or any other country, and we will incur no liability to you if we do so.

You agree to provide all information and documents to us which we reasonably require to comply with any law in Australia or any other country, including any AML/CTF Laws. You agree that we may disclose information which you provide to us, or about transactions you are or seek to conduct with us, where we are required to do so by any law in Australia or any other country.

You represent and warrant to us that the payment of monies by us in accordance with this document, or any instructions given by you, will not breach any law in Australia or any other country.

## 23. Variation and termination

D2MX may amend this agreement from time to time. D2MX will give you 10 days notice of any amendment, after which time the amendment will become effective.

D2MX may terminate this agreement immediately if you engage in any market manipulation, fraudulent conduct or conduct in breach of the Corporations Act. D2MX may terminate this agreement at any time and without any reason by giving you five Business Days notice. Termination does not affect outstanding obligations under this agreement which are undischarged at the time of termination. Each indemnity in this agreement survives the termination of this agreement.

## 24. Notices

Notices given by D2MX must be in writing and may be sent to the address, fax number or email address specified in your Application or later notified by you, or by posting the notice on its website. Any notice or Confirmation given by D2MX is taken to have been received on the business day following the transmission or posting of the notice, demand or Confirmation.

Where a Client Account is opened in the joint names of more than one Client, each of you agrees that D2MX may discharge any obligation it has to give a notice or a document to you under this agreement or the Corporations Act by giving notice to any one of you.

## 25. Authorised Agents

You may at any time, by notice to D2MX, revoke the appointment of an Authorised Agent and substitute another person as Authorised Agent. Where another person is appointed Authorised Agent, the notice must include the full name, telephone number, fax number, and email address of that person and be verified by you and, in the case of a corporate client, by a Director of the client.

You are and will remain solely liable and responsible for all acts and omissions of your Authorised Agent notwithstanding that an act or omission of the Authorised Agent was outside their actual or ostensible authority or in error, fraudulent, negligent, in breach of its fiduciary duties or criminal.

You agree not to make, and release D2MX from any right that you may have to make, any Claim against D2MX for any Loss incurred or suffered by you which may arise in connection with any act or omission by the Authorised Agent.

## 26. Complaints

Complaints should be referred to D2MX in accordance with the procedure in the Financial Services Guide provided to you.

## 27. National Guarantee Fund

As D2MX is a Trading Participant of ASX, you may make a claim on the National Guarantee Fund (NGF) in the circumstances specified under part 7.5 of the Corporations Act and the Corporations Regulations. (For more information on the circumstances in which you may make a

claim on the NGF or for information on the NGF generally, contact the Securities Exchange Guarantee Corporation Pty Limited ABN 19 008 626 793.)

D2MX has professional indemnity insurance which D2MX considers is adequate having regard to:

- (a) the volume and types of business carried on by it; the number and types of its clients; the number of its representatives; and
- (b) any particular or potential claims that may arise pursuant to our participation in external dispute resolution schemes, including the FOS scheme.

D2MX considers that these compensation arrangements satisfy the requirements of s 912B of the Corporations Act and associated regulations.

## 28. Governing law

This agreement is governed by the law in force in Victoria and you and D2MX submit to the non-exclusive jurisdiction of the court of Victoria and courts which may hear appeals from those courts.

## 29. Definitions

**AFS Licence** means an Australian financial services licence issued under the Corporations Act.

**this agreement** means the agreement constituted by your acceptance of the terms and conditions contained in this document (including the Schedules to this document).

**Application** means an application to open a Client Account with D2MX.

**APX** means Asia Pacific Exchange Limited ACN 080 399 220.

**ASIC** means the Australian Securities and Investment Commission.

**ASX** means ASX Limited ABN 98 008 624 691

**ASX Clear** means the ASX Clear Pty Limited (ABN 48 001 314 503). ASX Clear is a wholly owned subsidiary of ASX.

**ASX Clear Operating Rules** means the operating rules, procedures, directions, decisions, requirements, customs, usages and practices of ASX Clear, as amended from time to time.

**ASX Operating Rules** means the operating rules, procedures, directions, decisions requirements, customs, usages and practices of ASX, as amended from time to time

**ASX Settlement** means ASX Settlement Pty Limited (ABN 49 008 504 532) or another clearing facility approved to clear securities and other financial product transactions effected on ASX.

**ASX Settlement Operating Rules** means the operating rules, procedures, directions, decisions requirements, customs, usages and practices of ASX Settlement, as amended from time to time.

**ASIC Market Integrity Rules** means the operating rules, procedures, directions, decisions, requirements, customs, usages and practices of ASX, as amended from time to time.

**ASX** means ASX Limited (ABN 95 008 624 691).

**Authorised Agent** means the person (if any) described as the authorised agent of you in the Application or another person notified by you to D2MX in writing.

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

**Cash Account** means an account with a bank, other deposit taking institution or a cash management trust, approved by Pershing for the purposes of this agreement from time to time.

**CHESS** means the Clearing House Electronic Subregister System

**Chi-X** means Chi-X Australia Pty Ltd ABN 47 129 584 667

**Chi-X Market Integrity Rules** means the *ASIC Market Integrity Rules (Chi-X Australia Market) 2011* as amended from time to time.

**Chi-X Operating Rules** means the operating rules of Chi-X as amended from time to time.

**Clearing Participant** means Pershing Securities Australia Pty Ltd ABN 60 136 184 962 AFSL No 338264.

**Client Account** means a trading account with D2MX.

**Confirmation** means any confirmation issued by D2MX or on its behalf on execution of an order and includes an electronically transmitted confirmation.

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

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

**Crossing** has the meaning given to it in the Market Integrity Rules.

**D2MX** means D2MX Pty Ltd ABN 98 113 959 596 AFSL 297950

**Derivatives Market Transaction** has the meaning given to it in the ASIC Market Integrity Rules.

**Derivatives Products** has the meaning given to it in Schedule 2.

**DMA Service** means service under which a person enter orders to be registered in D2MX's system and, if accepted for submission into a Trading Platform of ASX by D2MX, submitted as corresponding Trading Messages without being re-keyed by a Designated Trading Representative of D2MX.

**Error** has the meaning given to it in the Exchange Rules and in relation to Chi-X, has the meaning given to "error trade" in the Chi-X Operating Rules, and has the meaning of any equivalent term in any other Exchange Rules including without limitation "error" or "trade error".

**Exchange Rules** means the operating rules of each Relevant Exchange and the Market Integrity Rules.

**Loss or claim** includes without limitation any expense, costs, liability, claims, damages, fees, taxes, duties, penalties, interest, legal costs (on a full indemnity basis), judgement, consequential, special or indirect loss or loss of prospective profits.

**Market** means the means the market operated by the Market Operator under the Market Integrity Rules.

**Market Integrity Rules** means any market integrity rules made by ASIC in accordance with Part 7.2A of the Corporations Act, as amended from time to time, that apply to a Relevant Exchange, including, without limitation, the ASX Market Integrity Rules, the Chi-X Market Integrity Rules and the Competition Market Integrity Rules.

**Market Transaction** has the meaning given to it in the ASIC Market Integrity Rules and means a transaction in Traded Products executed through ASX.

**NSX** means National Stock Exchange of Australia Limited ABN 11 000 902 063.

**Order** means any order or instruction placed by you with D2MX to purchase, sell, issue, redeem or otherwise deal in Traded Products.

**Participant Sponsored Holding** has the meaning given to it in the ASX Settlement Rules.

**Partly Paid Security** has the meaning given to it in the ASIC Market Integrity Rules.

**Pershing** means Pershing Securities Australia Pty Ltd (ABN 60 136 184 962) (AFS Licence No. 338264).

**Relevant Exchange** means ASX or Chi-X, NSX or APX and, without limitation, any other exchange on which D2MX transacts Orders, or the financial markets operated by them (as the context requires).

**Settlement Date and Time** means the date and time specified on the relevant Confirmation, or if no date and time are specified, it is 9.00am (Sydney time) on the third Business Day after the execution of the Market Transaction

**Traded Products** has the meaning given to Cash Market Products in the ASX Market Integrity Rules (and includes Derivatives Products and an AQUA Product) and Equity Market Product in the Chi-X Market Integrity Rules and for other Relevant Exchanges, means the cash equities products (excluding derivatives) admitted for quotation on the relevant market as described in the relevant Exchange Rules or Market Integrity Rules (as the context requires) for that Relevant Exchange.

**Trading Participant** has the meaning given to that term in the ASX Market Integrity Rules and to Market Participant in the Chi-X, APX or NSX Market Integrity Rules.

**Transaction** has the meaning given to Cash Market Transaction in the ASX Market Integrity Rules or Equity Market Transaction in the Chi-X Market Integrity Rules and for other Relevant Exchanges, has the meaning given to transaction in cash equities products (excluding derivatives) admitted for quotation on the relevant market as described in the relevant Exchange Rules or Market Integrity Rules (as the context requires) for that Relevant Exchange.

**Warrant** has the meaning given to it in the ASIC Market Integrity Rules.

**We, us, our** means D2MX.

**You** means the person or persons in whose name the Client Account is opened with D2MX or named on the account opening or application form as the client. If that is more than one person, "you" means each of them separately and every two or more of them jointly. "You" includes your successors and assigns.

Words expressed in the singular include the plural and vice versa.

Unless the context otherwise requires, a reference to a document or agreement includes any variation or replacement of it and a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision.

Words used in this document have the meanings given to them in the ASIC Market Integrity Rules, ASX Operating Rules, ASX Clear Operating Rules or the ASX Settlement Operating Rules. If you require a copy of these definitions please contact D2MX.

If you are a joint holder, these terms and conditions bind each person jointly and severally, and each person is authorised to issue instructions to D2MX and Pershing and give receipts to them in relation to any purchase or sale of Traded Products or other matters to which these terms and conditions relate.

You agree that in the event of any inconsistency between this document and any applicable laws, the ASIC Market Integrity Rules, ASX Clear Operating Rules or ASX Settlement Operating Rules, the latter will prevail to the extent of the inconsistency.



You acknowledge that this document is not exhaustive and agree to be bound by other policies and procedures which concern the operations of your account with D2MX as notified to you from time to time.

# Schedule 1 – DMA Service terms

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The following terms and conditions apply if the Client is given access by D2MX to the DMA Service.

## 1. Access to the trading system

No person other than an Authorised Person may at any time submit an Order for the Client (whether as principal or as agent for the Client) through the DMA Service using the Security Information provided by D2MX to the Client (as the case may be).

D2MX may in its discretion at any time limit the number of Authorised Persons who are permitted to submit Orders for the Client (whether as principal or as agent for the Client) through the DMA Service.

D2MX and the Client must not authorise, allow nor permit any person other than an Authorised Person to access or use the DMA Service using the Security Information.

D2MX and the Client acknowledge and agree that D2MX may, in its absolute discretion:

- (a) refuse to approve as an Authorised Person any person nominated by the Client for that purpose;
- (b) revoke its approval of an Authorised Person at any time; and
- (c) from time to time test whether an Authorised Person has adequate knowledge of the DMA Service and the Dealing Rules (as defined in the ASIC Market Integrity Rules), directions, decisions and requirements of ASX relevant to the type of order submission facilities given to the Authorised Person by D2MX.

The Client must notify D2MX immediately once any Authorised Person ceases to be authorised by the Client to access the DMA Service on the Client's behalf.

## 2. Use of the system

The Client acknowledges that:

- (a) the DMA Service is accessible through the DMA System;
- (b) neither D2MX nor any related body corporate of D2MX makes any representation or warranty, express or implied, to the Client or to any other person regarding the DMA System, nor provides any guarantee with respect to the DMA System, including without limitation, with respect to the operation, functionality, effectiveness, accuracy, reliability, merchantability, quality or fitness for purpose;
- (c) neither D2MX nor any related body corporate of D2MX is in any way responsible or liable to the Client or any person claiming through D2MX or the Client, for any loss that results from the Client's use of the DMA System, or from any failure, error or defect of or in the DMA System;
- (d) the Client is solely responsible for assessing the adequacy of the DMA System and for deciding whether or not to access it; and
- (e) it is the Client's responsibility to obtain, at their own expense, all hardware and software to be used by the Client in connection with use of the DMA Service.

### 3. Security information

The Client acknowledges that the Security Information is confidential and agrees that the Client is responsible for maintaining its confidentiality.

The Client agrees that it must:

- (a) only use the Security Information in accordance with these terms;
- (b) not disclose the Security Information (or any part of it) to any person or persons (including its employees, contractors, agents and consultants) other than to an Authorised Person;
- (c) ensure that at all times, each Authorised Person maintains the confidentiality of the Security Information;
- (d) notify D2MX immediately upon becoming aware that any Security Information has been or may be used or disclosed in a manner that is not consistent with these terms; and
- (e) regularly review and, if necessary, upgrade the security of its network through which the Client accesses the DMA Service to ensure that only Authorised Persons are able to access or use the DMA Service.

### 4. Submitting orders through the DMA Service

#### 4.1 Permission to submit Orders using Security Information

The Client acknowledges and agrees that it (and/or any Authorised Person) is permitted to submit Orders through the DMA Service only if it or they do so using the Security Information.

#### 4.2 Responsibility for submitting Orders

The Client:

- (a) determines the time at which Orders are submitted through the DMA Service;
- (b) is responsible for all Orders submitted through the DMA Service (whether as principal or as agent for the Client) using the Security Information, regardless of who enters such Orders and regardless of whether or not there is an error in the Order entry;
- (c) is bound by any agreement entered into on its behalf in reliance on such Orders;
- (d) is liable for any reasonable expense incurred by D2MX in reliance on such Orders; and
- (e) accepts the sole risk and responsibility for Orders submitted by it through the DMA Service, including any Order submitted in error.

#### 4.3 Order priority

The Client acknowledges that:

- (a) all Orders submitted by it (whether as principal or as agent for the Client) through the DMA Service are, subject to any Filters, entered on an ASX Trading Platform in the sequence in which they are received, and otherwise as expeditiously as practicable; and
- (b) this may result in D2MX's principal orders being satisfied ahead of an Order.

#### 4.4 Acknowledgment about resubmitting purged Orders

The Client acknowledges that Orders purged from an ASX Trading Platform by ASX will not be resubmitted to that ASX Trading Platform by D2MX.

## **4.5 No pre-arranged Orders**

The Client undertakes to ensure that any Orders placed through the DMA Service which match opposite orders placed by D2MX in a ASX Trading Platform, either as agent or principal, will be of an accidental nature, meaning that no pre-arrangement of the matched orders will have taken place with D2MX, and will not detract in any way from your Orders transacting in a ASX Trading Platform under strict rules of time and price priority.

## **5. Orders relating to derivatives products**

### **5.1 Derivatives Client terms**

The Client must not submit an Order through the DMA Service in relation to a Derivatives Product unless the Client has signed and returned a copy of this agreement (including schedule 2) to D2MX or otherwise confirmed in writing to D2MX that the Client agrees to be bound by the terms of this agreement (including schedule 2).

### **5.2 Closing out derivatives contracts**

If, as a result of Orders submitted by the Client through the DMA Service, a Derivatives Contract registered in the Client's account with Pershing as Buyer and a Derivatives Contract in the same Series or Delivery Month is registered in the Client's account with Pershing as Seller, D2MX will use its best endeavours to ensure that the corresponding Derivatives Contracts registered with ASX Clear are closed out by ASX Clear in accordance with ASX Clear Operating Rule 13.2.

However, the Client acknowledges and agrees that the Client's obligations in relation to those Derivatives Contracts continue in force until ASX Clear has closed out the corresponding Derivatives Contracts registered with it in accordance with ASX Clear Clearing Rule 13.2.

### **5.3 Exercise of a Derivatives Contract**

The Client acknowledges that, if the Client wishes to exercise a Derivatives Contract registered in the Client's account with Pershing:

- (a) the Client is able to do so through the DMA Service (whether or not that Derivatives Contract was bought through the DMA Service); and
- (b) the Client must contact D2MX directly in order to communicate the Client's instruction to exercise that Derivatives Contract.

## **6. Orders to purchase warrants**

The Client must not submit an Order through the DMA Service to purchase Warrants unless the Client has signed and returned a copy of this agreement (including schedule 3) to D2MX or otherwise confirmed in writing to D2MX that the Client agrees to be bound by the terms of this agreement (including schedule 3).

## **7. Orders to purchase partly paid securities**

The Client must not submit an Order through the DMA Service to purchase Partly Paid Securities unless the Client has signed and returned a copy of this agreement (including Schedule 4) to D2MX or otherwise confirmed in writing to D2MX that the Client agrees to be bound by the terms of this agreement (including schedule 4).

## 8. Trading rules

### 8.1 DMA Trading Limits

D2MX may at any time through the DMA Service impose, and from time to time vary, DMA Trading Limits. Without limitation, D2MX may impose DMA Trading Limits on any or all of the following:

- (a) the value or number of any buy Orders or trades;
- (b) the value or number of any sell Orders or trades;
- (c) the available cleared funds;
- (d) the available sponsored stock;
- (e) the net value of any buy Orders or trades less sell Orders or trades;
- (f) the gross value of any buy Orders or trades and any sell Orders or trades;
- (g) the value of any Order or trade; and
- (h) the value of any Order submitted by one or more Authorised Person, or trade undertaken by such a person.

The Client must comply, and ensure that each Authorised Person complies, with all applicable DMA Trading Limits.

### 8.2 Prohibited orders

The Client must ensure that:

- (a) each Authorised Person accesses the DMA Service in a way that ensures fairness, efficiency and ongoing protection of market integrity;
- (b) it does not place an Order through the DMA such that the beneficial ownership of the financial products which are the subject of the Order would not change if the Order was executed;
- (c) it does not take any action, fail to take any action or place any Order through the DMA Service where that Order (or the resulting transaction) would violate or cause or result in the Client or D2MX violating any Applicable Regulation, including without limitation, any Applicable Regulation in relation to:
  - (i) market manipulation, false trading, market rigging, fictitious transactions, wash trading or matching of orders;
  - (ii) insider trading;
  - (iii) front running;
  - (iv) fraud;
  - (v) creation of a disorderly market or otherwise prejudicing the integrity or efficiency of the market; or
  - (vi) misleading or deceptive conduct; and
- (d) each Order is submitted in accordance with these terms or any policy or operational guideline published by D2MX from time to time in relation to the DMA Service.

### 8.3 Filters

D2MX may impose Filters to restrict the placement of any Orders or the execution of any trades through the DMA Service, including (without limitation) Filters whose object is to:

- (a) prevent a breach of the provisions set out in this clause 8;
- (b) prevent Orders being registered with an ASX Trading Platform where the price at which the Order is submitted through the DMA Service is too far from the prevailing market price for the relevant security or financial product;
- (c) ensure that ACOP does not interfere with the efficiency and integrity of the market conducted by ASX;
- (d) ensure that ACOP does not interfere with the proper functioning of any ASX Trading Platform; or
- (e) facilitate compliance with, and prevent breaches of, the Applicable Regulations.

D2MX has, and accepts, no responsibility or liability to the Client, a client or any person claiming through the Client for failing to submit such Orders to an ASX Trading Platform.

#### **8.4 Delays**

The Client acknowledges that there may be delays in the processing or execution of an Order placed through the DMA Service, and:

- (a) an Order may be wholly or partly filled before an instruction for its amendment or cancellation is processed;
- (b) the Client remains liable to D2MX to settle the original Order, until any relevant amendment or cancellation is effected; and
- (c) D2MX will not be liable for any loss or damage to the Client by reason of any delay in processing any Order submitted through the DMA Service.

#### **8.5 D2MX takes no responsibility**

The Client acknowledges that D2MX takes no responsibility for the processing, execution or cancellation of any Orders placed through the DMA Service or for any delays in relation to the same.

### **9. Reconciliation**

If the Client entered the Order into the DMA Service, the Client is responsible for reconciling end-of-day confirmations against its records on any given trading day, and must communicate to D2MX, any discrepancies found in this reconciliation before the market opens on the next trading day. The Client acknowledges that D2MX is not responsible in any circumstances for losses of any kind of the Client that occur through errors that go undetected as a result of the failure of the Client to perform this reconciliation.

### **10. Principal trading by D2MX**

The Client acknowledges that D2MX and/or any of D2MX's related bodies corporate may:

- (a) enter a transaction in securities, derivatives, warrants and other financial products on ASX as principal and, where permitted by law, may take the opposite position in any such transaction, acting either for a client or on D2MX's own account (and the Client consents to D2MX and/or D2MX's related bodies corporate entering such transactions and taking such positions); and
- (b) place principal orders on the same terms as any Order, and that D2MX's order may be filled before an Order due to it being entered into the relevant ASX Trading Platform prior to the Order.

## **11. D2MX's warranties and liabilities**

### **11.1 No representations or warranties about the DMA Service**

Subject to those provisions of the Trade Practices Act 1975 (Cth) and any other rights implied by law, which cannot be excluded by agreement between the parties, D2MX makes no representations or warranties express or implied, including without limitation, any implied warranties as to merchantability, quality or fitness for a particular purpose or otherwise (including as to accuracy, currency, availability, completeness or quality) with respect to the DMA Service.

### **11.2 Exclusion of liability**

The Client acknowledges that the DMA Service is provided at its risk and that to the extent permitted by law, D2MX excludes all liability in contract, tort (including negligence) or otherwise relating to or resulting from use of the DMA Service, including without limitation, liability for any loss or damage (including incidental, indirect and consequential loss and damage, loss of prospective profits, or expenses) incurred or suffered by the Client directly or indirectly, as a result of:

- (a) any defect, delay, failure, inaccuracy in, use of or inability to use the DMA Service; or
- (b) any government restriction, exchange or market rulings, suspension of trading computer or telephone failure, unlawful access to the DMA Service, theft, sabotage, war, earthquakes, strikes force majeure and without limitation, any other conditions beyond D2MX's control.

### **11.3 Limitation of liability in any event**

D2MX's liability shall in any event be limited to:

- (a) in the case of goods, replacement or repair of the goods; and
- (b) in the case of services, re-supply of the services.

### **11.4 System and trading risks**

The Client acknowledges that there is significant risk in trading through a system, including the DMA Service, which is serviced by means of computer and telecommunications systems, even where generally accepted industry standards and practices are followed, including that:

- (a) the access to and use of the DMA Service cannot be operated in all circumstances without error including, without limitation, errors in computer programs and telecommunications systems. These errors may result in, among other things:
  - (i) a delay in telecommunications services;
  - (ii) interrupted service and faults, such that the DMA Service may not remain accessible at all times during the trading day and there may be problems affecting the stability of the DMA Service that could cause the Client to be unable to enter Orders via the DMA Service during normal trading hours;
  - (iii) Orders and other communications relating to trading and execution not reaching D2MX or being lost, rejected or partially received or sent, such that they are not accurately received or sent by the Client or D2MX and are not representative of the original content of the Orders and other communications relating to trading and execution;
  - (iv) inaccuracies in the provision of the DMA Service and generally;
- (b) the Client's data may not be protected, and there are risks that other users of the DMA Service, institutions or holders or an Australian Financial Services Licence will be able to

see Orders submitted by the Client and other communications relating to trading and execution without the Client's (or D2MX's) consent and that third parties (including persons on private networks) will have the ability to attach to the Client's network;

- (c) Orders and other communications relating to trading and execution and other data submitted to the DMA Service will not remain confidential;
- (d) the Client's system may not be compatible with the DMA Service or an ASX Trading Platform, and that this incompatibility may lead to an unstable environment; and
- (e) Orders may be placed through the DMA Service without the Client's authority by a person using the Security Information given to the Client and accordingly, that trades which have not been authorised by the Client may be executed.

## 12. Termination

D2MX may terminate the Client's participation in the DMA Service at any time by notice in writing.

The Client may terminate its participation in the DMA Service by request in writing to D2MX.

Termination of the Client's participation does not affect its outstanding obligations under this agreement or any other agreement you have with D2MX.

## 13. Definitions

**Authorised Person** means a person who is nominated and permitted by D2MX to submit Orders through the DMA Service using the Security Information provided by D2MX.

**ACOP** has the meaning given to Automated Client Order Processing in the ASIC Market Integrity Rules.

**ASX Trading Platform** means a Trading Platform (as defined in the ASIC Market Integrity Rules) which is made available by ASX in relation to Cash Market Products (as defined in the ASIC Market Integrity Rules).

**Client** means the person or persons described as the client in the Application Form in respect of which D2MX has granted access to the DMA Service.

**Derivatives Contract** has the meaning given to Options Market Contract or Derivatives CCP Contract, each as defined in the ASX Clear Operating Rules or the corresponding contract between D2MX or Pershing and you, as the context requires.

**DMA Trading Limits** means the limits that D2MX may place on the Orders that may be submitted and/or the trades that may be undertaken through the DMA Service.

**Filters** mean the restrictions D2MX imposes, whether by automated or manual means, to limit the Client's ability to place Orders through the DMA Service.

**Order** means an order for the purchase or sale of (or other dealing in) securities and/or financial products made through the DMA Service using the Security Information provided to you and, as the context requires, includes (without limitation):

- (a) an order or instruction to amend or cancel an existing order submitted through the DMA Service, and
- (b) an order or instruction to open or close out a position in Derivatives Contracts.



**Security Information** means the user code, user name and password given to the Client by D2MX in connection with use of the DMA Service.

# Schedule 2 – Derivatives client agreement between D2MX and client

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The following terms and conditions apply if the Client is to trade in Derivatives Products.

## 1. Instructions [ASIC Minimum Term 3.1.7(1)(a)]

The Client may from time to time, if D2MX gives the Client access to the DMA Service, by placing an Order through the DMA Service, instruct D2MX to deal in the following kinds of derivatives which are traded on ASX:

- (a) Options (sometimes referred to as Exchange Traded Options);
- (b) Share Ratio Contracts; and
- (c) other kinds of derivatives traded on ASX, not including Futures (hereafter “**Derivative Products**”).

If the Client gives instructions to D2MX to deal in a Derivative Product in which D2MX is not authorised to deal under this clause, D2MX will notify the Client immediately and the instruction will be deemed as NOT authorised.

## 2. Explanatory Booklet (retail investors only) [ASIC Minimum Term 3.1.7(1)(b)]

The Client has received and read a copy of the current explanatory booklet published by ASX in respect of each Derivative Product.

## 3. Margins

The Client agrees not to breach, either alone or in concert with others, the position or exercise limits referred to in the Explanatory Booklet described in clause 2 above. The Client agrees to maintain a deposit or bank guarantee for such sum as will from time to time be required by ASX. The Client acknowledges D2MX's rights to close out any contract where the Client fails to deposit the required margin or make the required payments as advised by D2MX in accordance with ASX Clear Operating Rules or additional D2MX requirements.

## 4. Authorisation for lodgement and withdrawal of CHESS Securities with ASX Clear

The Client agrees to authorise Pershing Securities Australia Pty Ltd ABN 60 136 184 962 (Pershing), (D2MX's Third Party Clearer) to lodge or withdraw ASX Clear approved CHESS Securities held by the Client or the Client's designated accounts with D2MX for the purpose of covering ASX Clear margin requirements.

If the Client wishes to write an Option and this Option is to be covered by CHESS Securities as collateral, the Client agrees to instruct D2MX to lodge the relevant CHESS Securities (including details of NC number, security code, quantity which is to be lodged).

Note: where practical D2MX will lodge CHESS Securities to offset margins as the need arises. Instructions can be emailed to [dtr@d2mx.com.au](mailto:dtr@d2mx.com.au) or call us on 1300 130 545 (where CHESS

Securities are to be sold or withdrawn from ASX Clear, or where CHESS Securities have not been lodged with ASX Clear and should be.

## 5. Clearing arrangements between D2MX and Pershing

D2MX is a party to a Clearing Agreement with Pershing, an admitted General Participant of ASX Clear.

Prior to placing an order with D2MX to deal in Derivative Products, the Client must have signed a Client Agreement with Pershing.

## 6. Nature of D2MX's obligations [ASIC Minimum Term 3.1.7(1)(d)(i)]

Notwithstanding that D2MX may act in accordance with the instructions of, or for the benefit of, the Client, the Client acknowledges that any contract arising from any order submitted to the Market (as defined in the ASIC Market Integrity Rules), is entered into by D2MX as principal.

## 7. Obligations of Client owed to Pershing

The Client acknowledges that, subject to clause 21.3 below, immediately upon execution of a transaction in Derivative Products by D2MX on behalf of the Client, Pershing (and not D2MX) is obliged as principal and has the Clearing Obligations (as defined in the ASIC Market Integrity Rules) for that transaction (including upon registration, obligations to ASX Clear as principal) even though the transaction has been entered into by D2MX on the Client's behalf.

Where the Client owes an obligation to deliver funds, security or information to Pershing that obligation will not be satisfied by delivery to D2MX.

## 8. Application of ASIC Market Integrity Rules and ASX Operating Rules [ASX Minimum Term 1 and ASIC Minimum Term 3.1.7(1)(d)(vii)]

The Client and D2MX are bound by the ASIC Market Integrity Rules, the Corporations Act and the Procedures, customs, usages and practices of ASX and its related entities as amended from time to time in so far as they apply to Derivative Products traded on ASX for the Client.

The Client acknowledges that each Derivative Product registered with ASX Clear is subject to the ASX Clear Operating Rules and the practices, directions, decisions and requirements of ASX Clear.

## 9. Authority [ASIC Minimum Term 3.1.7(1)(c)]

The Client acknowledges that the Client is either:

- (a) acting as principal; or
- (b) acting as an intermediary on another's behalf and is specifically authorised to transact the ASX Derivative Products, by the terms of:
  - (i) an Australian financial services licence under the Corporations Act held by the Client;
  - (ii) a trust deed (if the Client is a trustee); or
  - (iii) an agency contract.

## 10. Tape recording of conversations [ASIC Minimum Term 3.1.7(1)(d)(iv)]

The Client acknowledges that D2MX may record telephone conversations between the Client and D2MX. If there is a dispute between the Client and D2MX, the Client has the right to listen to any recording of those conversations.

## 11. Commissions and fees [ASX Minimum Term 2, ASIC Minimum Term 3.1.7(1)(d)(iii) ]

The Client must pay to Pershing (as agent for D2MX) commissions, fees, taxes and charges, charged by D2MX in connection with dealings for the Client in Derivative Products at the rates determined by D2MX from time to time and notified to the Client in writing.

Commission charged by D2MX to the Client is collected by Pershing on behalf of D2MX. Pershing will account to D2MX for such commission after deducting fees which Pershing charges to D2MX.

Commission is also payable to Pershing, where Pershing has been requested (in accordance with the Clearing Agreement), to act on behalf of D2MX on a contract for the transfer of Underlying Financial Products following the exercise of a Derivatives Contract. Pershing will pass on part of that commission to D2MX.

## 12. Right to refuse to deal [ASIC Minimum Term 3.1.7(1)(d)(v)]

The Client acknowledges that D2MX may at any time refuse to deal in, or may limit dealings in, the Derivative Products for the Client. D2MX is not required to act in accordance with the Client's instructions, where to do so would constitute a breach of the ASIC Market Integrity Rules, ASX Operating Rules or the Corporations Act. D2MX will notify the Client of any refusal or limitation as soon as practicable.

## 13. Termination of Agreement [ASIC Minimum Term 3.1.7(2)]

Either the Client or D2MX may terminate this Agreement by giving notice in writing to the other. Termination will be effective upon receipt of the notice by the other party.

## 14. Effect of termination [ASX Minimum Term 5 and ASIC Minimum Term 3.1.7(2)]

Termination does not affect the existing rights and obligations of the Client or D2MX at termination.

Upon termination of this Agreement, Pershing will close out all Derivatives Contracts entered into by Pershing 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 ASX Clear Operating Rules.

## 15. Amendment

This Agreement may be amended by D2MX from time to time. D2MX will give the Client 10 days notice of any amendment, after which time, the amendment will become effective.

## 16. Revised Terms prescribed by ASX [ASX Minimum Term 6]

If ASX prescribes amended minimum terms for a Client Agreement for the Derivative Products for the purposes of the ASIC Market Integrity Rules (New Terms), to the extent of any inconsistency between these terms and the New Terms, the New Terms will override the terms of the Client Agreement and apply as if the Client and D2MX had entered into an agreement containing the New Terms.

## 17. D2MX to provide Client with copy of changes [ASX Minimum Term 7]

D2MX will provide a copy of the New Terms to the Client as soon as practicable after ASX prescribes the New Terms.

## 18. Dealing as Principal [[ASIC Minimum Term 3.1.7(1)(d)(ii)]

The Client acknowledges that D2MX may, in certain circumstances permitted under the ASX Operating Rules, Corporations Act and the ASIC Market Integrity Rules, take the opposite position in a transaction in the Derivative Products, either acting for another client or on its own account.

## 19. Investment in ASX Derivative Products

The Client has formed the view that investment in Derivative Products is appropriate to the Client's financial situation, investment objectives and particular needs.

## 20. Client to Provide Information [ASX Minimum Term 3]

The Client will take all reasonable steps to deliver information or documentation to D2MX, or cause information or documentation to be delivered to D2MX concerning transactions in Derivative Products (including Option Transactions) which are requested by a person having a right to request such information or documentation. D2MX is authorised to produce the information or documentation to the person making the request.

The Client agrees that D2MX may disclose such information (or documentation), any of the Client's account details and information (or documentation) regarding transactions in financial products (including transactions relating to Derivative Products or to the exercise of Derivative Products) of the Client to Pershing for use for the purposes of this agreement, and for the purposes of monitoring compliance by the Client, D2MX or Pershing with their regulatory and contractual obligations, and resolving disputes.

## 21. Allocation (give up)

### 21.1 Client acknowledgement

The Client acknowledges that Pershing is obliged as principal and has the Clearing Obligations in respect of all transactions in relation to Derivative Products which are executed by D2MX on behalf of the Client, unless, in relation to a specified transaction or transactions:

- (a) the Client has consented to the allocation of the Derivatives Contract to another Clearing Participant;
- (b) Pershing has consented to the allocation of the Derivatives Contract to that other Clearing Participant;

- (c) Pershing has provided that consent prior to the Derivatives Contract being registered with ASX Clear;
- (d) that other Clearing Participant has accepted the allocation of those trades in accordance with the ASX Clear Operating Rules; and
- (e) that other Clearing Participant has entered into a Client Agreement with the Client which complies with the ASX Clear Operating Rules.

## **21.2 Authorisations with respect to derivatives contracts**

For the purposes of clause 21.1(a), the Client authorises D2MX in respect of any Derivatives Contract arising out of a transaction in a Derivative Product executed by D2MX to:

- (a) instruct Pershing on behalf of the Client from time to time in its discretion, to allocate a Derivatives Contract to another Clearing Participant (Second Clearing Participant); and
- (b) consent on behalf of the Client to the allocation of that relevant Derivatives Contract to a Second Clearing Participant,

provided that, at the time the instruction and consent are given to Pershing by D2MX, an agreement exists between the Client and the Second Clearing Participant which complies with the ASX Clear Operating Rules (and any other applicable rules or law) and sets out the terms of their relationship in relation to the clearing of transactions in Derivative Products.

## **21.3 Credit references**

The Client agrees that D2MX may make such enquiries as it thinks fit of any person, including the Client's employer, bank or credit agency, relating to the creditworthiness of the Client and disclose the result of those enquiries to Pershing for the purposes of Pershing's risk assessment.

## **21.4 Confirmations**

The Client acknowledges that any confirmation (contract note/daily statement) dispatched electronically to the Client by or on behalf of D2MX is subject to:

- (a) the terms and conditions of this agreement;
- (b) the ASIC Market Integrity Rules, directions, decisions and requirements of ASX and where relevant the ASX Settlement Operating Rules;
- (c) the customs and usages of the Market (as defined in the ASIC Market Integrity Rules); and
- (d) the correction of errors and omissions.

If the Client is a Wholesale Client for the purposes of the ASIC Market Integrity Rules, D2MX may elect not to give any Confirmations to it in relation to Derivatives Transactions executed for it. If D2MX so elects, this agreement is taken to be the notification required to be given by D2MX to the Client under the ASIC Market Integrity Rules.

# **22. Cancellation of Trades**

## **22.1 Broker authorisation with respect to cancelled transaction**

The Client authorises D2MX, and agrees that D2MX may, without the Client's consent, cancel or amend (or request or agree to the cancellation or amendment of) any transaction in Derivative Products or any Derivative Contract to which a confirmation relates:

- (a) if ASX exercises its power under the ASIC Market Integrity Rules to cancel or amend (or require the cancellation or amendment of) that transaction or Derivatives Contract; or

- (b) in the event of an Error (as defined in the ASIC Market Integrity Rules) or otherwise in circumstances contemplated in the ASIC Market Integrity Rules.

## **22.2 Obligations cease with respect to cancelled transaction**

The obligations of D2MX and the Client relating to settlement and clearing of a transaction cease to apply in respect of a cancelled transaction from the time it is cancelled.

## **23. Governing law**

This Agreement is governed by the law in force in New South Wales and the Client and D2MX submit to the non-exclusive jurisdiction of the courts of New South Wales and courts which may hear appeals from those courts.

## **24. Joint and Several Liability**

If the Client constitutes more than one person then each of those persons is jointly and severally bound by this Agreement and D2MX is entitled to act on the instructions of any one of those persons.

## **25. Privacy**

We may collect your personal information from you when we provide services to you under these Terms. We may use any information we collect from you, or such other relevant documents, to

- a) assess your request for us to provide our services to you;
- b) provide our services to you in accordance with these Terms; and
- c) comply with legislative and regulatory requirements including the *Privacy Act 1988* (Cth).

You must notify us when any of the information provided by you changes.

We may disclose personal information to:

- a) our related bodies corporate, whether in Australia or overseas;
- b) the Clearing Participant;
- c) our service providers (including marketing companies, data consultants and IT contractors);
- d) our agents, contractors, and external advisers;
- e) government and other regulatory bodies and authorities whether in Australia or overseas;
- f) payment system operators; and
- g) other financial institutions and credit providers.

You have a right to access any personal information that we hold about you. Sometimes there may be a reason why access will not be possible. If that is the case, you will be told why. To find out what kinds of personal information we may hold about you, or to request access to any personal information, please contact us.

You agree that your personal information can be used or disclosed by us as contemplated in these Terms. You understand that if you do not provide any information requested by us or do not agree

to us using your information as set out in this clause 25, we may not be able to provide our services to you.

You agree that we may make such enquiries as we think fit of any person, including your employer, bank or credit agency, relating to your creditworthiness and disclose the result of those enquiries to the Clearing Participant for the purposes of the Clearing Participant's risk assessment.

We may record any or all incoming and/or outgoing phone calls with you without making a disclosure to you of this nature each and every time you speak with a representative of D2MX. These calls may be recorded without an audible tone. If there is a dispute between us, you have the right to listen to any recording of your conversations. Nothing in these Terms obliges us to keep a recording longer than 90 days.

## 26. Interpretation

Unless the contrary intention appears:

**ASX Clear** means ASX Clear Pty Limited ABN 48 001 314 503.

**ASX Clear Operating Rules** means the operating rules of ASX Clear as amended from time to time.

**ASX Operating Rules** means the operating rules of ASX Operations Pty Ltd (ABN 42 004 523 782) as amended from time to time

**ASX Settlement** means ASX Settlement Pty Limited (ABN 49 008 504 532).

**ASX Settlement Operating Rules** means the operating rules of ASX Settlement as amended from time to time.

**ASX** means ASX Limited ABN 98 008 624 691.

**ASIC Market Integrity Rules** means the ASIC Market Integrity Rules (ASX Market) 2010 as amended from time to time.

**Client** means the person or persons described as the client in the Application Form.

**Derivatives Contract** means a Derivatives Market Contract (as defined in the ASIC Market Integrity Rules) or a Derivatives CCP Contract (as defined in the ASX Clear Operating Rules) or the corresponding contract between D2MX and the Client or D2MX and Pershing, as the context requires.

**Derivative Product** has the meaning given to it in clause 1.

**Derivatives Transaction** has the meaning given to Derivatives Market Transaction in the ASIC Market Integrity Rules and where the context requires includes the sale or purchase of Underlying Financial Products following the exercise of a Derivatives Contract.

Other words and phrases defined in the ASIC Market Integrity Rules, the ASX Clear Operating Rules and the ASX Settlement Operating Rules have the meaning given to them in the applicable Rules. A copy of these Rules is available on request.

Words expressed in the singular include the plural and vice versa.

A reference to a document or agreement includes any variation or replacement of it.



# Schedule 3 – Warrant client agreement between D2MX and Client

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The following terms and conditions apply if the Client is to purchase Warrants. The Client agrees and acknowledges that:

- (a) it has received and read a copy of the Explanatory Booklet issued by ASX in respect of Warrants ("Understanding Trading and Investment Warrants", available electronically at the following link:  
<http://www.asx.com.au/documents/resources/understandingwarrants.pdf> or in paper form on request by contacting D2MX);
- (b) a Warrant has a limited life and cannot be traded after its expiry date;
- (c) Warrants do not have standardised Terms of Issue and it is the responsibility of the Client to become aware of any adjustments which may have been made to any Warrant in which the Client chooses to invest;
- (d) Warrants may be subject to adjustments after their initial issue. The Client acknowledges that it is the Client's responsibility to become aware of any adjustments which may have been made to any Warrant in which the Client chooses to invest;
- (e) admission to Trading Status of a Warrant does not imply that ASX or the Securities Exchanges Guarantee Corporation Limited gives any guarantee or warranty as to the viability of the Warrant-Issuer or Guarantor; and
- (f) failure of the Warrant-Issuer or the Guarantor (if applicable) to fulfil their obligations does not give rise to a claim against ASX, D2MX or the Securities Exchanges Guarantee Corporation Limited.

Words used in this Schedule 3 have the meanings given to them in the ASIC Market Integrity Rules, ASX Operating Rules, ASX Clear Operating Rules or the ASX Settlement Operating Rules. If you require a copy of these definitions please contact D2MX.

***If the Client wishes to purchase Derivative Products and/or Warrants, the Client must either sign and return a copy of this agreement (including Schedule 2 and/or Schedule 3 as the case may be) to D2MX or otherwise confirmed in writing to D2MX that the Client agrees to be bound by the terms of this agreement (including Schedule 2 and/or Schedule 3 as the case may be).***

# Schedule 4 – Partly paid security client agreement between D2MX and Client

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The following terms and conditions apply if the Client is to buy Partly Paid Securities. The Client agrees and acknowledges that it is aware that:

- (a) a Partly Paid Security is a security which may require the Client to make a further payment or payments at some time in the future;
- (b) it is the Client's responsibility to obtain and read a copy of the prospectus, product disclosure statement or information memorandum issued by an Issuer which sets out the particular features of, and rights and obligations attaching to, a Partly Paid Security before placing an order to buy a Partly Paid Security;
- (c) the Client may be required to make further payments on a Partly Paid Security and that a failure to make a further payment by the specified date(s) may result in an Issuer of a Partly Paid Security or their associates or agents taking action, including legal action, against the Client to recover the outstanding payments and/or may result in the forfeiture of the Client's entitlement to the Partly Paid Security;
- (d) in certain circumstances the Client may be liable to make a further payment on a Partly Paid Security despite the fact that the Client may have disposed of a Partly Paid Security prior to the date that a further payment falls due;
- (e) the Client should monitor announcements made by the Issuer of a Partly Paid Security and that it is the Client's responsibility to inform itself of the date/s or circumstances that a further payment falls due and the last day that it can dispose of the Partly Paid Security before it is required to make a further payment;
- (f) the amount of a further payment may be unrelated to the financial performance of a Partly Paid Security and that the amount of the further payment may exceed the intrinsic value of a Partly Paid Security at the time a further payment falls due; and
- (g) an obligation on the Client in relation to a Partly Paid Security, including an obligation to make a further payment, does not give rise to a claim against D2MX, Pershing, ASX, or the Securities Exchanges Guarantee Corporation Limited.

Words used in this Schedule 4 have the meanings given to them in the ASIC Market Integrity Rules, ASX Operating Rules, ASX Clear Operating Rules of the ASX Settlement Operating Rules. If you require a copy of these definitions please contact D2MX.

***If the Client wishes to purchase a Partly Paid Security, the Client must either sign and return a copy of this agreement (including Schedule 4) to D2MX or otherwise confirm in writing to D2MX that the Client agrees to be bound by the terms of this agreement (including Schedule 4).***

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PART L

# Product Disclosure Statement

AFS Licence No. 297950

Date of issue: 31012012

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D2MX Pty Ltd (ABN 98 113 959 596)

Level 37, Rialto South Tower,  
525 Collins Street,  
MELBOURNE VIC 3000

A Participant of ASX Group

# Product Disclosure Statement

AFS Licence No. 297950

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The information in this Product Disclosure Statement (**PDS**) does not take into account your personal objectives, financial situation and needs. Before trading in the 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 and needs.

We recommend that you consult your financial adviser or obtain other independent advice before trading in exchange traded options or LEPOs (as defined below).

## 1. Purpose of a PDS

This PDS has been prepared by D2MX Pty Ltd as the broker who is taken to be the issuer of the exchange traded options and low exercise price options. This PDS is designed to assist you in deciding whether the products covered in this PDS are appropriate for your needs. This PDS has been prepared to assist you in comparing it with others you may be considering. The PDS is an important document and we recommend you contact us should you have any questions arising from the PDS prior to entering into any transactions with D2MX.

When we use terms 'we', 'us' or 'our' in this PDS, the reference is to D2MX. If you have any questions in relation to this PDS, please do not hesitate to contact us by telephone 1300 130 545.

## 2. What products does this PDS cover?

This is a Product Disclosure Statement for exchange traded options which are able to be traded on the financial market operated by ASX Limited ABN 98 008 624 691 (**ASX**) and which are settled and cleared by ASX Clear Pty Limited ABN 48 001 314 503 (**ASX Clear**). It deals with exchange traded equity options and index options (exchange traded options) and Low Exercise Price Options (**LEPO**).

Exchange traded equity options are options over quoted shares (or other securities) of a range of different companies listed on ASX.

Exchange traded index options are options over an index such as the S&P™/ASX 200™ Index or the S&P™/ASX 200™ Property Trust Index.

A list of companies and indices over which exchange traded options are traded can be found on the ASX website [www.asx.com.au/options](http://www.asx.com.au/options).

LEPOs are call options with an exercise price of one cent. LEPOs are leveraged instruments and potential profits and losses can be greater than the money initially outlaid. LEPOs will move in price approximately the same as the underlying share.

## 3. Introduction

### 3.1 Exchange Traded Options (ETOs)

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

- (a) Hedge against fluctuations in their underlying share portfolio;
- (b) Increase the income earned from their portfolio; and
- (c) To profit from speculation.

Their flexibility stems from the ability to both buy and short sell an option contract and undertake multiple positions targeting specific movements in the overall market and individual equities.

The use of ETOs within an investor's overall investment strategy can provide great flexibility to take advantage of rising, falling and sideways markets. However, both the purchase and sale of

ETOs involves risks which are discussed at length below in the section titled “Significant Risks Explained”.

Specific concepts, which should be practically understood before engaging in an options strategy, are:

- (a) The effect time has on any one position/strategy;
- (b) How volatility changes, both up and down, may change your pay-off diagram for a position;
- (c) How to calculate margins and worst-case scenarios for any position;
- (d) The likelihood of early exercise and the most probable timing of such an event;
- (e) The effect of dividends and capital reconstructions on an options position; and
- (f) Liquidity of an options series, the role of market makers, and the effect this may have on your ability to exit a position.

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

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

Whilst this PDS provides product information including information about the risks, characteristics and benefits of ETOs, investors should inform themselves and if necessary obtain advice about the specific risks, characteristics and benefits of the exchange traded option they intend to trade and relevant ASX rules.

### 3.2 Educational booklets

ASX has prepared a number of educational booklets relating to ETOs which are available to you via their website, [www.asx.com.au/resources/asx-educational-booklets-brochures.htm](http://www.asx.com.au/resources/asx-educational-booklets-brochures.htm).

In addition to reading this PDS, investors are advised that this PDS cross references certain of the ASX booklets. The ASX booklets that relate to options include **Understanding Options Trading, Margins, and Understanding Option Strategies** which are available free of charge on the ASX website ([www.asx.com.au/resources/asx-educational-booklets-brochures.htm](http://www.asx.com.au/resources/asx-educational-booklets-brochures.htm)). These booklets provide useful information regarding options traded on the ASX, including option features, the advantages of options, the risks associated with options, option adjustments, option pricing, margins, taxation and option contract specifications.

The ASX booklet entitled **Understanding Options Trading** is a booklet which we must give you in accordance with the ASX operating rules when you sign our client agreement to trade ETOs. This booklet is also available on line at [www.asx.com.au/documents/resources/options\\_simple\\_guide.pdf](http://www.asx.com.au/documents/resources/options_simple_guide.pdf).

If you cannot access the ASX booklets via the ASX website, please contact us immediately and we will arrange to forward copies of the booklets to you at no charge.

D2MX suggests that you read and understand all of the information referred to in this section before you trade in ETO's. Before trading in ETOs through D2MX you are required to read this booklet. If you place an order to buy or sell an ETO through D2MX, you will be taken to have read and understood this document.

If you have any questions on any aspect of the booklets, you should consult your financial advisor before making any investment decisions.

### **3.3 LEPOs**

LEPOs are call options with an exercise price of one cent over any share approved by ASX. As with any option, the maximum loss for the buyer is the premium paid for the option contract. Potential losses for sellers are unlimited. As LEPOs have a low exercise price, the full premium amount will be closer to the full value of the underlying instrument than in the case of 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.

When you trade a LEPO you do not pay or receive the full amount of the premium. Both buyers and sellers of LEPOs are required to pay margins to ASX Clear. Contract size is usually 1,000 securities per contract, but this may be adjusted for bonus issues and other capital adjustment events. Exercise style is European, meaning the option is exercisable only on the last trading day before expiry.

Contract months are as detailed in ASX Derivatives Division expiry calendar. Expiry date is usually the Thursday before the last Friday of the settlement month. This can change due to public holidays.

The ASX booklet entitled **LEPOs: The benefits of share futures with the flexibility of options** is available on line at <http://www.asx.com.au/documents/resources/UnderstandingLEPOs.pdf>. If you cannot access the ASX booklet via the ASX website, please contact us immediately and we will arrange to forward to you by email a copy of the booklet to you at no charge.

Before trading in LEPOs through D2MX you are required to read this booklet. If you place an order to buy or sell a LEPO through D2MX, you will be taken to have read and understood this document.

If you have any questions on any aspect of the booklet, you should consult your financial advisor before making any investment decisions.

### **3.4 About Us**

D2MX PTY LTD  
ABN 98 113 959 596  
Australian Financial Services Licence Number: 297950  
Level 37  
Rialto South Tower  
525 Collins Street  
Melbourne VIC 3000

Phone 1300 130 545  
Email: [info@d2mx.com.au](mailto:info@d2mx.com.au)  
Website: [www.d2mx.com.au](http://www.d2mx.com.au)

### **3.5 How do your orders get executed and settled?**

You may only provide instructions to us in accordance with your client agreement with us. That agreement might require that, if you wish to provide us with instructions, you must do so only through an intermediary with whom we have entered an arrangement under which that person may place orders with us on behalf of clients in relation to ASX transactions (Licensee). That

agreement might permit you to provide instructions to us directly (such as through a DMA Service) or through the relevant Licensee.

When placing the order D2MX will need:

- (a) Your account number;
- (b) Details of the person giving the order;
- (c) Details of the stock to be dealt in;
- (d) The series, specifying both the month and the strike price (and if long dated the year); and
- (e) Whether the order is to buy or sell.

Once the order is executed, at the end of the trading day the order will be cleared by our third party clearing participant, Pershing Securities Australia Pty Ltd ABN 60 136 184 962 AFS Licence No. 338264 (**Pershing**). Pershing would make the appropriate adjustments to your cash, and holding positions, including brokerage for the transaction.

#### 4. What are exchange traded option & LEPO contracts

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

LEPOs are European style only, which means they can only be exercised on the expiry date and not before. Further detail can be found at [www.asx.com.au/documents/resources/UnderstandingLEPOs.pdf](http://www.asx.com.au/documents/resources/UnderstandingLEPOs.pdf).

An ETO or a LEPO is a contract between two parties which gives the buyer (the taker) the right, but not the obligation, to buy or sell the securities underlying the option at a specified price (exercise price) on, or before a predetermined date. To acquire this right, the taker pays a premium to the writer (the seller) of the contract. When considering options over an index, the same concepts generally apply.

The taker will always pay the writer a price (the premium) to enter the ETO or LEPO. The writer receives and keeps the premium but has the obligation to buy from or deliver to the taker the underlying securities at the exercise price if the taker exercises the option.

The premium is not a standardised feature of the ETO contract or LEPO and is established between the taker and writer at the time of the trade.

ETO or LEPO sellers are referred to as 'writers' because they underwrite (or willingly accept) the obligation to deliver or accept the securities covered by an ETO or LEPO. Similarly, buyers are referred to as 'takers' of an ETO or LEPO as they take up the right to buy or sell a parcel of securities. Every ETO or LEPO contract has both a taker and a writer.

There are two types of ETOs, namely call options and put options. All option positions consist of one or more of a bought call, a sold call, a bought put, or a sold put. A long (or bought) option position is created by the purchase of a call or put. A short (or sold) position is created by the sale of a call or put. By combining two or more of these basic positions, an investor can create a trading strategy that meets a range of investment objectives, including the protection of an existing portfolio of securities. For more information on possible trading strategies we refer you to the ASX Booklet entitled 'Understanding Options Strategies' available on the ASX website at <http://www.asx.com.au/documents/resources/UnderstandingStrategies.pdf>.



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

Put options give the taker the right, but not the obligation to sell a standard quantity of underlying securities at a predetermined price on or before a predetermined date. If the taker exercises their right to buy, the seller (writer) is required to buy a standard quantity of securities at the predetermined exercise price. The premium is the price of the option agreed to by the buyer and seller through the market.

The taker will always pay the writer a price (called the premium) to enter into the option contract. The writer receives and keeps the premium but has the obligation to buy from or deliver to the taker the underlying securities at the exercise price if the taker exercises the option.

#### **4.1 Deliverable or cash settled**

ETOs and LEPOs are either deliverable or cash settled. Most exchange traded equity options and LEPOs are deliverable, that is with physical delivery of the underlying security, whilst index options are cash settled. Cash settlement occurs in accordance with the rules of ASX Clear against the Opening Index Price Calculation (**OPIC**) as calculated on the expiry date.

#### **4.2 Standardised Contracts**

ETOs and LEPOs are created by the exchange on which the underlying equity or index is listed. D2MX trades ETOs in relation to entities and indices listed on the ASX. The ASX website provides a list of entities and indices over which ETOs are traded, these can be found at [http://www.asx.com.au/documents/resources/options\\_simple\\_guide.pdf](http://www.asx.com.au/documents/resources/options_simple_guide.pdf).

ASX determines the key contract specifications for each series of ETOs or LEPOs listed, including:

- (a) The underlying security or underlying index;
- (b) The contract size;
- (c) The exercise price (or strike price), which is the specified price at which the taker (buyer) of an equity option can buy or sell the underlying securities. ASX sets the range of exercise prices at specific intervals according to the value of the underlying securities. It is important to note that the exercise price of an equity option may change during the life of an option if the underlying security is subject to a bonus or rights issue or other form of capital reconstruction or in some cases a special dividend or distribution. The number of underlying securities may also be subject to an adjustment; and
- (d) The expiry date. ETOs and LEPOs have a limited pre-determined life span and generally follow one of three cycles, namely:
  - (i) January/April/July/October;
  - (ii) February/May/August/November; or
  - (iii) March/June/September/December.

Note: most active stocks have current month series.

ASX may in accordance with its operating rules make an adjustment to any of the above specifications if the listed entity over which the option relates makes a pro-rata change to its ordinary capital structure (e.g. Bonus issues or special dividends or distributions are to be paid). If ASX does make an adjustment it will endeavour to preserve the open positions of takers and writers at the time of the adjustment as best as possible. ASX has issued an Explanatory Guide

for Option Adjustments which can be found at [http://www.asx.com.au/documents/resources/explanatory\\_note\\_option\\_adjustments.pdf](http://www.asx.com.au/documents/resources/explanatory_note_option_adjustments.pdf) which provides further information regarding ASX option adjustments.

Full details of all ETOs and LEPOs listed on ASX and expiry date information can be found on the ASX website at [www.asx.com.au/options](http://www.asx.com.au/options) or alternatively through information vendors or newspapers. A list of current option codes and delayed price information is available on the ASX website at [www.asx.com.au/options](http://www.asx.com.au/options). Details of the previous day's trading are published in summary form in the Australian Financial Review.

Details of contract specifications for ETOs and LEPOs are published by the ASX on their website at [http://www.asx.com.au/products/options/trading\\_information/contract\\_specs.htm](http://www.asx.com.au/products/options/trading_information/contract_specs.htm). The contract specifications detail the key standardized features of ETOs and index options traded on ASX.

#### **4.3 Premium**

The premium (price of the option) is not set by ASX but is negotiated between the buyer and seller of the ETO or LEPO through the market. The premium for an equity option is quoted on a cents per security basis so the dollar value payment is calculated by multiplying the premium amount by the correct multiplier for that particular series (i.e. the number of underlying securities in the contract which is usually 1,000). For example, if you buy a call option with a premium quoted at 50c per security, the total premium is \$500.00 (being \$0.50 x 1,000 if the underlying multiplier is 1,000 securities). The premium for an index option is calculated by multiplying the premium by the index multiplier. For example, a premium of 50 points, with an index multiplier of \$10, represents a total premium cost of \$500 per contract.

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, distributions and general risks applicable to markets.

Most option pricing involves the use of a mathematical formula, which includes calculating the intrinsic and time value of the particular option. You should refer to the section entitled 'Option pricing fundamentals' in the ASX Booklet Understanding Option Trading for more information regarding the fundamentals of pricing options. ASX also provides a pricing calculator on the ASX website, [www.asx.com.au/options](http://www.asx.com.au/options).

#### **4.4 No Dividends or Entitlements**

ETOs and LEPOs do not entitle investors to dividends or other distributions or entitlements paid or provided by the issuer of the underlying securities, unless the investor exercises the option to become the holder of the underlying securities at or before the relevant date for dividend, distribution or entitlement purposes.

#### **4.5 Opening/Buying/Taking an ETO or LEPO position**

The establishment of a contract is referred to as opening a position. Once the taker of an ETO or LEPO has an open position, they have three alternatives:

- (a) The taker can exercise the ETO or LEPO;
- (b) The taker can hold the ETO or LEPO to expiry and allow it to lapse; or
- (c) The taker can close out their position by selling the same ETO or LEPO. Note: at this point the open position will be closed out.

#### **4.6 Opening/selling/Writing an ETO or LEPO**

Once the seller or writer of an ETO or LEPO has an open position, they have two alternatives:

- (a) Let the ETO or LEPO go to expiry and risk being exercised against (if it is not exercised against, it will expire without any further obligation or liability on the writer); or
- (b) Close out the ETO or LEPO by buying the ETO or LEPO back before it has been exercised.

#### **4.7 Closing out of option contracts**

As mentioned above, closing out an ETO or LEPO is completing the reverse transaction to the opening one: if you have a bought/long position you would sell it, if you have a sold/short position you would buy it back.

An option position may be 'closed out' by placing an order equal and opposite in effect to the open position to be closed. This effectively cancels out the open position. An investor would close out an ETO or LEPO contract:

- (a) When there is a risk of unwanted early exercise (unless an index option as they can only be exercised on expiry day);
- (b) To take a profit; or
- (c) To limit a loss.

It is important that you advise us if you are seeking to close out an existing open position when placing your order. Closing out can be achieved without reference to the original party to the trade because of the process of novation. ASX Clear is able to substitute a new buyer as the contract party when an existing buyer sells to close their position. The process of novation is discussed in more detail below in the section entitled 'Trading and clearing options'.

**Note: D2MX will set all accounts to automatic close out. This is discussed further below.**

#### **4.8 Expiry**

ETOs and LEPOs have a limited life span and every ETO or LEPO within the same series which has not already been exercised will expire on the expiry day. The expiry day is a standard day set by ASX. For ETOs or LEPOs the expiry is the Thursday proceeding the last Friday in the month, as long as both the Thursday and Friday are business days. Therefore if the last day of the month is a Thursday the ETO or LEPO will expire on the Thursday prior. For index options, expiry is usually the third Friday of the contract month. Expiry day information is available on the ASX website at [http://www.asx.com.au/products/options/trading\\_information/expiry\\_calendar.htm](http://www.asx.com.au/products/options/trading_information/expiry_calendar.htm).

#### **4.9 Exercise**

ETO or LEPO takers make the decision to exercise the ETO option or LEPO contract. This means that an equity option writer may be exercised against at any time prior to expiry. ASX Clear will 'randomly' allocate a writer for every exercised take position. This means that if the taker wants to exercise the options and either buy or sell (depending on whether it is a call or a put) at the predetermined price then ASX randomly allocates a writer of that option and allocates the exercise against them. The writer must then accept the securities at a predetermined price for a call or sell the securities at the predetermined price for a put. The taker of an ETO or LEPO will generally only exercise for a profit and therefore the exercise may result in a loss to the writer of the ETO or LEPO, depending on their initial costs. Once a writer has been allocated, the writer has lost the opportunity to close out their position and must affect the delivery or cash settlement obligations for the particular equity option contract.

#### **4.10 Automatic exercise by D2MX**

D2MX will automatically exercise any open ETO or LEPO contract taken or bought by you if your contract is one cent in the money or one point for indexes at expiration of the contract. For call options the option will be in the money where the exercise price is below the price of the

underlying securities at expiration of the call option. For put options the option will be in the money where the exercise price is higher than the price of the underlying securities at expiration of the put option. All unexercised option contracts will expire on the expiry date.

#### 4.11 Settlement

Payment for, and the delivery of underlying securities, on exercise of an open ETO contract occurs via the ASX's Clearing House Electronic Sub register System (CHES) on T+3 from date of exercise. D2MX's clearer, Pershing, is obliged to make payment to ASX within this timeframe (i.e. within three business days). For cash settled index options, a cash settlement amount calculated having regard to the opening price index calculation on expiry day is paid to exercising takers on the day following the expiry date. The level used for settling index options is determined by a special formula. If you intend investing in the index options you should take the time to understand these arrangements. For more information on settlement of index options see the ASX Booklet Understanding Options Trading section on 'Trading index options'.

**Note: if you exercise a LEPO you are required to pay the full purchase price the following day.**

D2MX requires that you settle at T+1 (that is within 24 hours from the time the trade occurred) for all cash positions which arise from premiums, interest, and other cash financial transactions. This requirement is reflected in the terms of our client agreement with you. You are required to pay the margin amounts we call from you within 24 hours of being advised of the margin amount by us. Please see the discussion on margins below.

## 5. Significant benefits of exchange traded options and LEPOs

ETOs and LEPOs confer a number of benefits which include:

- (a) Risk management where investors can **hedge** (protect) their portfolio from a drop in value. Put options allow investors holding securities to hedge against a fall in price;
- (b) Shareholders can **earn income** by writing call options over securities they already hold. As a writer of options, the investor will receive the premium amount up front. The risk is that the writer may be exercised against and be required to deliver their securities to the taker at the exercise price;
- (c) By taking a call option, the purchase price for the underlying security is locked in. This gives the call option holder **time to decide** whether or not to exercise the option and buy the securities. The holder has until the expiry date to make their decision. Likewise the taker of a put option has time to decide whether or not to sell the securities;
- (d) ETOs and LEPOs benefit from standardisation and registration with a clearing and settlement facility which reduces **counterparty default risk**. This process provides the benefit that the client's position can be closed out without reference to the original counterparty and the client's risk to that counterparty is transferred to ASX Clear;
- (e) **Speculation** where the flexibility of entering and exiting the market prior to expiry permits an investor to take a view on market movements and trade accordingly. In addition the variety of ETO or LEPO combinations allows investors to develop strategies regardless of the direction of the market;
- (f) ETOs and LEPOs do not require a rising market to make money, rather investors can **profit from both rising and falling** markets depending on the strategy they have employed. Strategies may be complex and strategies will have different levels of risk associated with each strategy;

- (g) The initial outlay for an ETO or LEPO contract is not as much as investing directly in the underlying securities. Trading in ETOs or LEPOs can allow investors to benefit from a change in the price of the security without having to pay the full price of the security. An investor can therefore purchase an ETO or LEPO (representing a larger number of underlying securities) for less outlay and still benefit from a price move in the underlying securities. The ability to make a higher return for a smaller initial outlay is called **leverage**. Investors however, need to understand that leverage can also produce increased risks (see below);
- (h) Given the lower initial outlay attaching to ETOs or LEPOs, investors can **diversify their portfolios and gain a broad market exposure** over a range of securities or the index itself.

## 6. Significant risks explained

The risk of loss in trading in ETOs and LEPOs can be substantial. It is important that you carefully consider whether trading ETOs or LEPOs is appropriate for you in light of your investment objectives and financial circumstances.

You should only trade ETOs and LEPOs if you understand the nature of the products and the extent of your exposures to risks. The risks attached to investing in ETOs and LEPOs will vary in degree depending on the option traded (see the risks outlined below).

The PDS does not cover every aspect of risk associated with ETOs and LEPOs. For further information concerning risks associated with ETO trading you are referred to the ASX booklet **Understanding Options Trading** and in particular the section entitled 'Risks of option trading' (the booklet can be found on the ASX website at [www.asx.com.au/documents/resources/UnderstandingOptions.pdf](http://www.asx.com.au/documents/resources/UnderstandingOptions.pdf)).

ETOs and LEPOs are not suitable for some retail investors. For example investors who have a low risk tolerance should not enter into ETO or LEPO trades which have the potential for unlimited losses. In deciding whether or not you should trade ETO or LEPO contracts, you should be aware of the following matters relating to risk:

- (a) The **high level of leverage** that is obtainable in trading ETOs and LEPOs (due to the low level of initial capital outlay) can work against an investor as well as for the investor. Depending on the market movement, the use of leverage may lead to large losses as well as large gains;
- (b) ETOs and LEPOs have a **limited life span** as their value erodes as the option reaches its expiry date. It is therefore important to ensure that the ETO or LEPO selected meets the investor's investment objectives;
- (c) ETOs and LEPOs are subject to movements in the **underlying market**. ETOs and LEPOs may fall in price or become worthless at or before expiry;
- (d) The **maximum loss in taking** (buying) an ETO or LEPO is the amount of premium paid. If the option expires worthless, the taker will lose the total value paid for the option (the premium) plus transaction costs.
- (e) Whilst writers (sellers) of options earn premium income, they may also incur **unlimited losses** if the market moves against the option position. The premium received by the writer is a fixed amount; however the writer may incur losses greater than that amount. For example, the writer of a call option has increased risk where the market rises and the writer does not own the underlying securities. If the option is exercised, the writer of the option is forced to buy the underlying securities at the current (higher) market price in

order to deliver them to the taker at the exercise price. Similarly where the market falls, the writer of a put option that is exercised is forced to buy the underlying securities from the taker at a price well above the current market price;

- (f) Writers of ETOs and LEPOs could sustain a total **loss of margin funds** deposited with their broker where the market moves against the option position. In addition, the writer may be obliged to pay additional margin funds (which may be substantial and potentially unlimited) to maintain the ETO or LEPO position or upon settlement of the contract. Margins are discussed below;
- (g) Under certain conditions, it could become difficult or impossible to **close out** a position. This can happen for example where there is a significant change in price over a short time period;
- (h) ASX and ASX Clear, have discretionary powers in relation to the market. They have power to **suspend the market operation**, or lift market suspension in ETOs or LEPOs while the underlying securities are in trading halt if the circumstances are appropriate, restrict exercise, terminate an ETO or LEPO position or substitute another underlying security (or securities), impose position limits or exercise limits or terminate contracts, all to ensure fair and orderly markets are maintained as far as practicable. These actions can affect an investor's ETO or LEPO positions;
- (i) The placing of **risk minimisation orders** may not always limit an investor's losses to the amounts that are expected. Market conditions may make it impossible for a broker to execute the risk minimisation orders. Strategies using combinations such as 'spreads' or 'straddles' may be as risky as taking a simple 'long' or 'short' position.
- (j) Trades affected on ASX may be subject to **dispute**. When a trade is subject to a dispute, ASX has powers, in accordance with its rules, to request that a broker amend or cancel a trade, which will in turn result in the contract with the client being amended or cancelled. Any change or amendment to the beneficial ownership of the security can have Capital Gains tax implications;
- (k) D2MX has the ability to amend or **cancel the trade** as stated in our Terms of Trading. This could cause you to suffer loss or increase your loss and could have Capital Gains Tax implications. A trade executed on behalf of a client can also be amended or cancelled if requested by the client even where the trade has been confirmed to the client. In addition ASX has the power to cancel, amend or require the cancellation of amendment of transactions. This power can be exercised without your permission or D2MX's agreement;
- (l) Trades affected on ASX are traded on an electronic trading platform and cleared through ASX Clear. As with all such electronic platforms and systems, they are subject to failure or **temporary disruption**. If the system fails or is interrupted we will have difficulties in executing all or part of your order according to your instructions. An investor's ability to recover certain losses in these circumstances will be limited given the limits of liability imposed by ASX and ASX Clear;
- (m) If you fail to pay an amount due from a transaction in accordance with the ASX Market Rules, you agree that D2MX has the right to sell any or all of your securities in addition to the securities which are the subject of the defaulting contract in order to offset any debt owed to D2MX.

This PDS does not cover every aspect of risk associated with options. For further information concerning risks associated with options trading you are referred to the ASX booklet

**Understanding Options Trading** and in particular the section entitled 'Risks of option trading'

(the booklet can be found on the ASX website at [www.asx.com.au/documents/resources/UnderstandingOptions.pdf](http://www.asx.com.au/documents/resources/UnderstandingOptions.pdf)).

We recommend that you consult your financial adviser or obtain other independent advice before trading in ETOs or LEPOs.

## **7. Fees and other costs**

The exact cost of your transaction will be disclosed on your Confirmation but will consist of the charges discussed below. There may also be certain amounts that are (or may become) payable in respect of options which are discussed below.

Some fees that we charge may be tax deductible. You must confirm this with your own Tax Adviser or Accountant in relation to your specific situation.

### **7.1 Contract fees**

ASX charge a fee of \$1.30 plus \$0.13 GST (or \$1.43 including GST) per contract. These fees apply to buying and selling; opening or closing.

### **7.2 Exercise fees**

ASX levies \$0.50 plus \$0.05 GST (or \$0.55 including GST) for every contract that is exercised.

### **7.3 Index Options**

In the case of index options, ASX charges \$0.39 per contract including GST, for both the transaction and the exercise fee.

### **7.4 Brokerage**

If you wish to trade ETOs or LEPOs through us, you will need to become a client of an intermediary (Licensee) with whom we have entered into an arrangement under which the Licensee may place orders with us on behalf of clients.

We do not charge you fees for the services that we may provide to you. Instead, the relevant Licensee may charge you fees in respect of those transactions executed by D2MX on your behalf. However, the Licensee (not D2MX) determines the amount and structure of any such fees. The information concerning the fees which the Licensee may charge can be obtained directly from the relevant Licensee.

D2MX will charge the relevant Licensee a fee for those transactions executed through the ASX by D2MX on your behalf (Execution Fee). In addition to the Execution Fee, D2MX may also charge a range of fees to the Licensee including a fixed monthly fee, a fee per trade, a fee per service and other fees.

The impact of transaction costs on profitability is often greater for options transactions than for transactions in the underlying interests because these costs are often greater in relation to option premiums than in relation to the prices of underlying interests. Transaction costs are especially significant in option strategies calling for multiple purchases and sales of options such as spreads and straddles. Investors should always discuss transaction costs with their financial advisor before engaging in options transactions.

### **7.5 Margins**

ASX Clear calculates margin amounts using a system known as TIMS (Theoretical Aftermarket Margining System). Writers of options will be obligated to pay margin.

Margins are generally a feature of all exchange traded derivative products and are designed to protect the financial security of the market. 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. This means that if the price of your ETO or LEPO moves against you, you will be asked to provide a margin which represents that adverse movement.

We are entitled to call (and may at any time call) for additional margin from you, compared to the amount that is obliged to be paid to ASX Clear – we do this as a risk management tool.

ASX Clear margin obligations may be met by paying cash or by providing certain types of eligible collateral (egg securities and bank guarantees). ASX Clear generally discounts the value of such collateral deposited with it to 70% of its full value as a risk management tool. This means that if the securities used by you as collateral have a market value of \$10,000, only \$7,000 will be counted as collateral cover for your margin obligations.

Total margin for ETOs or LEPOs is made up of two components:

- (a) Premium margin. This is market value of the particular position at the close of business each day; and
- (b) Risk margin. This is the potential change in the price of the ETO or LEPO contract assuming the maximum probable inter-day price move in the price of the underlying security or index. In times of extreme volatility an intraday margin call may be made by ASX Clear and as a consequence, we may request that you pay this on the same day.

You must pay margin within 24 hours of you being advised of the margin call by us. The margining process used by ASX Clear is explained in detail in the ASX booklet **Understanding Margin Obligations** which is available on the ASX website at [www.asx.com.au/documents/resources/UnderstandingMargins.pdf](http://www.asx.com.au/documents/resources/UnderstandingMargins.pdf).

## **7.6 Late settlement or margin payments**

Any interest levied on late settlement and margin payments is due and receivable at the time the amount is levied and certainly within 1 business day of a demand being made by D2MX.

# **8. Other significant characteristics of exchange traded option contracts and LEPOs**

## **8.1 Trading and clearing ETOs and LEPOs**

ETOs and LEPOs are traded on ASX's trading platform and cleared through ASX Clear. Participants of ASX must comply with the market rules of the ASX. Participants who clear ETO or LEPO contracts must comply with the clearing rules of ASX Clear.

ASX Clear stands between the buying and selling brokers (the ASX participants) and guarantees the performance to each of them. This process is known as 'novation'. Importantly ASX Clear does not have an obligation to you, the underlying client. The rules of ASX Clear govern arrangements once a deliverable exchange traded option has been exercised.

## **8.2 Client Trust Accounts and Collateral**

In order for us to trade an ETO or LEPO contract for you, we require you to provide us with money or securities to enable us to manage the risks associated with our dealings for you in those options. Client money and securities paid or given by you in connection with our advising or dealing in the options must be held by us on trust in accordance with the Corporations Act and the ASX rules.

Money is held on trust for you in a trust account. However, this does not apply to money paid to reimburse us for payments we have had to make to ASX Clear (generally margin calls) in respect of dealings for you. The Corporations Act provides that money held in the trust account can be used for specific purposes such as meeting margin obligations, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives.



D2MX may retain the interest (if any) earned on any moneys held for you in its trust account.

CHESS securities (held by you) may be lodged in your name with ASX Clear as collateral for margin obligations relating to ETO or LEPO trades. When CHESS securities are lodged with ASX Clear, the securities are held by ASX Clear as 'third party security'. The lodged securities cannot be used by us in relation to our dealings or for our other clients in relation to their dealings unless authorised by you as Third Party Collateral. Securities in a client's superannuation fund cannot be used as Third Party Collateral for any other account.

### 8.3 National Guarantee Fund

Except in limited the circumstances National Guarantee Fund (**NGF**) protection does not apply to dealings in ETOs or LEPOs. The NGF provides investors trading in ETOs or LEPOs with protection in the following circumstances.

- (a) If an option is exercised, the NGF guarantees completion of the resulting trade in certain circumstances; and
- (b) If you have entrusted property to D2MX or Pershing in the course of dealing in options, and D2MX or Pershing later becomes insolvent, you may be able to 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 D2MX's or Pershing's 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

<http://www.segc.com.au>.

## 9. Dispute resolution system

If you have any concerns or comments about the financial service or financial products provided to you, you should take the following steps:

- (a) Send your complaint in writing to the Compliance Manager at D2MX, PO Box 274, Collins Street West, Melbourne VIC 8007;
- (b) If you have not received a satisfactory response or 45 days have elapsed you may refer the matter to Financial Ombudsman Service (**FOS**). D2MX is a member of the FOS. FOS can be contacted on 1300 78 08 08 or GPO Box 3, Melbourne VIC 3001. This service is provided to you free of charge;
- (c) You may also choose to refer the matter to ASX.
- (d) Alternatively, you may refer the matter to the Australian Securities and Investments Commission (**ASIC**). ASIC may be contacted on their freecall Infoline on 1300 300 630.

If you require further information on how complaint are handled by D2MX please refer to our Financial Services Guide.

## 10. Significant taxation implications

You should consult your own taxation adviser before making any decisions to trade in ETOs or LEPOs. For further information on the taxation treatment of options you are referred to the article Income Tax Treatment of Exchange Traded Options at [www.asx.com.au/documents/resources/taxation\\_of\\_exchange\\_traded\\_options\\_oct\\_2009.pdf](http://www.asx.com.au/documents/resources/taxation_of_exchange_traded_options_oct_2009.pdf).

The taxation consequences of trading in ETOs and LEPOs are complex and will depend on your individual circumstances. It is therefore important that you ascertain whether you are a trader, a

speculator or a hedger as the tax treatments for each may differ as discussed below. Given we are not a taxation adviser you should discuss any taxation issues with our tax adviser before entering or disposing of an ETO or LEPO. You should be aware that there might be capital gains tax consequences. You should seek appropriate independent advice in this regard.

This PDS does not cover every aspect of taxation as it relates to ETOs or LEPOs. The information below acts as a summary of significant taxation considerations that should be considered by you before investing in ETOs or LEPOs. Accordingly, you are recommended to seek professional tax advice before entering into or disposing of an ETO or LEPO.

Some fees that we charge may be tax deductible. You must confirm this with your own Tax Adviser or Accountant in relation to your specific situation.

## **10.1 Implications for Australian Resident Investors**

- **Revenue Account**

### **Writer of the Option**

Where a writer of an option writes an option in the ordinary course of business or the option has been written over an underlying revenue asset, the option will be treated as being on revenue account.

The premium received by the writer of the option will be assessable on a due and receivable basis. Where any premium is credited to the writer's Clearing House account the amount will still be assessable on this basis.

Any subsequent margin calls will not be deductible when they are deposited by the writer into their Clearing House account. These margins will merely reduce any net position of the writer upon the close out, settlement or exercise of the option by the taker.

Where interest is received by the writer on the margins held in their Clearing House account, this is required to be included in the writer's assessable income.

### **Taker of the Option**

A taker will generally hold an option on revenue account when it is held or traded in the ordinary course of business, or the option is used to hedge an underlying revenue asset.

Where this is the case, any premium paid by the taker is generally regarded as being deductible on a due and payable basis. This will generally be at the time the option is entered into. Where an option on revenue account lapses, there are no further tax implications. However, where an option on revenue account is exercised, the option strike price will form part of the acquisition cost or disposal proceeds for the underlying asset in question.

Alternatively, where the option is closed-out prior to its expiration, any gain or loss on the option position will be treated as assessable or deductible as the case may be.

## **10.2 Capital Account**

- **Writer of the Option**

Where a writer writes an option over an underlying capital transaction, the option will be held on capital account. Consequently, any income tax implications will be determined in accordance with the Capital Gains Tax (CGT) provisions.

The premium received by the writer of the option will give rise to an assessable capital gain on a received or a receivable basis. Where any premium is credited to the writer's Clearing House account the amount will still be assessable on this basis.

Any subsequent margin calls will merely reduce any net position of the writer upon the close-out, settlement or exercise of the option by the taker.

Where interest is received by the writer on the margins held in their Clearing House account, this is required to be included in the writer's assessable income.

### **Exercise of a Call Option**

Where a call option is exercised, the option premium and the proceeds on the sale of the underlying asset should be treated as a single transaction. Accordingly, both the premium and the proceeds received will form part of the writer's capital proceeds for CGT purposes.

This may have practical implications for writers of options where the premium and sale proceeds are received in different financial years.

### **Exercise of a Put Option**

Where a put option is exercised, the option premium paid and exercise price will form part of the cost base of the underlying asset for the investor. Accordingly, both the premium and the strike price paid will form part of the writer's cost base of the underlying asset for CGT purposes.

This may have practical implications for writers of the options where the premium is received in a different financial year to the payment of the strike price and acquisition of the underlying capital asset.

### **Taker of the Option**

A taker will generally hold an option on capital account where an underlying capital transaction is being hedged. Consequently, any income tax implications will be determined in accordance with the CGT provisions.

At the time the premium is paid, there are no taxation consequences for the taker in respect of any premium paid for options which are held on capital account.

Where an option on capital account lapses, the taker will realise a capital loss at this time equal to the amount of the premium paid.

When an option is settled or closed-out, the taker will realise a capital gain or loss depending on the amount paid (being the premium plus any incidental costs) for the option and the amount received on settlement.

### **Exercising a Call Option**

Where a call option is exercised, the option premium and exercise price will form part of the cost base of the underlying asset for the taker.

### **Exercising a Put Option**

Where a put option is exercised, the taker will generally deduct the option price from the proceeds received on the disposal of the underlying asset.

## **11. Goods and services tax**

The purchase and disposal of options over securities and the share price index by investors is not subject to GST.

## **12. LEPOs and cash settled ETOs**

For LEPOs and cash settled ETOs, the net profits approach may be regarded as the preferred tax method. See

[www.asx.com.au/documents/resources/taxation\\_of\\_exchange\\_traded\\_options\\_oct\\_2009.pdf](http://www.asx.com.au/documents/resources/taxation_of_exchange_traded_options_oct_2009.pdf) for further discussion.

PART M

# Financial Services Guide

AFS Licence No. 297950

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D2MX Pty Ltd (ABN 98 113 959 596)

Level 37, Rialto South Tower,  
525 Collins Street,  
MELBOURNE VIC 3000

A Participant of ASX Group

January 2012

# Financial Services Guide

AFS Licence No. 297950

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## 13. Glossary of terms

**AFS Licence** means an Australian financial services licence issued under the Corporations Act.

**ASIC** means Australian Securities and Investment Commission.

**ASX** means ASX Limited.

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

**D2MX** means D2MX Pty Ltd ABN 98 113 959 596, AFS Licence No. 297950.

**DMA Service** means Direct Market Access Service.

**FSG** means Financial Services Guide.

**Licensee** means the intermediary that holds an AFS Licence with whom we have entered into an arrangement under which the Licensee may place orders with us on behalf of clients in relation to ASX transactions (or allow the client to place such orders directly with us).

**Pershing** means Pershing Securities Australia Pty Ltd ABN 60 136 184 962 AFX Licence No. 338264.

**Relevant Licensee** means the Licensee with whom you have entered into an arrangement under which the Licensee will place orders with us on your behalf in relation to ASX transactions (or allow you to place such orders directly with us).

**We, us or our** means D2MX.

## 14. Purpose and content of this Financial Services Guide

This Financial Services Guide (**FSG**) is an important document. You should read it carefully and make sure you understand it.

This FSG is provided by D2MX Pty Ltd. This FSG was prepared on 1 May 2011.

The FSG is made up of a number of equally important parts. Each of these parts is listed on the contents page and is intended to inform you of certain basic matters before we provide you with a financial service. This FSG was prepared to provide D2MX clients who are retail clients about the financial services provided by us.

The information set out in this FSG includes information about:

- (a) Who we are;
- (b) What services we provide;
- (c) The remuneration that may be paid to us and other relevant persons in relation to the services we offer;
- (d) What relationships and associations we have;
- (e) How complaints against us are dealt with.

This FSG is designed to assist you in deciding whether to use the services we provide which are described below.

## 15. Statements of Advice and Product Disclosure Statements

D2MX is not authorised to provide personal financial product advice to clients. Accordingly, we will not take into account your “objectives, financial situation and needs” (**Objectives**) (as defined by the Corporations Act and ASIC) and therefore this FSG been prepared without taking into

account those Objectives. Subsequently, you will not receive a Statement of Advice from us. You should contact your financial adviser if you require any financial product advice. D2MX has no responsibility for any financial product advice provided by any other person to you.

If we provide you with services that involve issuing or arranging to issue a financial product, such as exchange trade options (**ETOs**) (but excluding securities defined as shares, debentures, and stocks and bonds issued or proposed to be issued by a government) you will be provided with a Product Disclosure Statement (**PDS**). The PDS will contain information that might reasonably be expected to have a material influence on your decision whether or not to acquire the financial product. This will include information regarding the benefits and risks associated with the product and other significant features of the terms and conditions attaching to the product.

## 16. Who is D2MX?

D2MX Pty Ltd, ABN 98 113 959 596, is a Trading Participant of ASX. D2MX holds an Australian Financial Services Licence (**AFS Licence**) (No. 297950) under which it is authorised to deal in a financial product by:

- (a) issuing, applying for, acquiring, varying or disposing of derivatives; and;
- (b) applying for, acquiring, varying or disposing of deposit and payment products (limited to basic deposit products) and securities on behalf of another person.

## 17. How we can be contacted

Address: D2MX  
Level 37  
Rialto South Tower  
525 Collins Street  
MELBOURNE VIC 3000

Telephone: 1300 130 545]

Email: [info@d2mx.com.au](mailto:info@d2mx.com.au)

## 18. The services we offer

D2MX provides to retail clients a non-advice execution only service under which D2MX:

- (a) executes orders on ASX to buy and sell traded products (such as shares, options and warrants quoted on ASX);and
- (b) executes orders on ASX to buy, sell, close out and exercise Derivatives (such as Exchange Traded Options and LEPOs);
- (c) undertakes other dealings in financial products.

Settlement and clearing of transactions executed by D2MX through ASX is undertaken by Pershing, a leading provider of third party clearing services to the Australian market.

More information on the products and services offered by D2MX is available on our website at [www.d2mx.com.au](http://www.d2mx.com.au).

## 19. How you may provide instructions to us

You may only provide instructions to us in accordance with your client agreement with us. That agreement might require that, if you wish to provide us with instructions, you must do so only



through the relevant Licensee. That agreement might permit you to provide instructions to us directly (such as through a DMA Service) or through the relevant Licensee.

## 20. How do we charge for our services?

We do not charge you fees for the services that we may provide to you.

Instead, the relevant Licensee may charge you fees in respect of those transactions executed by D2MX on your behalf. However, the Licensee (not D2MX) determines the amount and structure of any such fees. The information concerning the fees which the Licensee may charge can be obtained directly from the relevant Licensee.

D2MX will charge the relevant Licensee a fee for those transactions executed through the ASX by D2MX on your behalf (**Execution Fee**).

In addition to the Execution Fee, D2MX may also charge a range of fees to the Licensee including a fixed monthly fee, a fee per trade, a fee per service and other fees.

## 21. Commissions and other benefits from third parties

D2MX may earn and retain interest on monies held for clients in their trust accounts from time to time.

D2MX may provide you with financial products and services from either related or non-related product providers, and may receive a commission payment from product providers where you invest in one of their products or services. In these cases, the amount and / or the method by which the commission is calculated will be supplied to you at that time that the financial product or service is provided. Information about the commission payments we may receive is also available upon request.

D2MX may receive trail commissions from third parties as a result of your investment. In particular, trailing commissions may be received from fund management groups for monies held in your Cash Management Account. Details of these commissions are contained in the Product Disclosure Statement of the relevant fund or applicable Disclosure Statement of the relevant account.

Trailing commissions may also be received from margin lending groups for funds held. Details of these commissions are contained in the disclosure document of the relevant margin lender.

## 22. How are our representatives remunerated?

Representatives dealing with you are remunerated by salary and do not directly receive any commissions or fees. They may be eligible to receive a commission, bonus or other employment benefit which is discretionary and based on the achievement of business objectives.

## 23. Will anyone be paid for referring you to us?

If you were referred to us under a referral arrangement, the referrer may receive a one-off fee or a proportion of your brokerage paid. The referrer also may receive other nonmonetary or indirect benefits such as concessionary brokerage rates.

## 24. Do we have any relationships or associations with financial product providers?

We have entered into arrangements with one or more Licensees as described in this FSG.

As noted above, we have entered into arrangements from time to time with various product providers under which we may receive a commission if you invest in one of their products or services.

## **25. Complaints resolution**

### **25.1 Our commitment**

We are committed to providing quality service and accurate information. As part of that commitment, we are focussed upon improving client satisfaction levels by providing an efficient and accessible system for resolving client complaints.

You have the right to have any complaint about the service received from us investigated and dealt with quickly and effectively in accordance with our complaints resolution procedures.

### **25.2 Client input**

To assist us in responding appropriately to complaints, you are requested to prepare any complaint in writing, addressed to:

**Compliance Officer**  
D2MX  
Level 37  
Rialto South Tower  
525 Collins Street  
MELBOURNE VIC 3000

You should include as much detail about the circumstances of the complaint as possible, including the name(s) of any of our staff involved. If available, copies of any background documentation should be provided to us along with the complaint.

### **25.3 Our response**

Following receipt of your complaint, the Compliance Officer will acknowledge receipt of it in writing and provide an estimate of the time it will take to investigate the circumstances. The Compliance Officer will fully investigate the complaint and follow up if further information is required from you. The Compliance Officer will then prepare a detailed written response to you after consideration of all relevant documents and following interviews with the involved employees and their manager(s), if required. The written response will be mailed or delivered to you.

If your complaint relates to the Licensee or a service provided to you by the Licensee, your complaint should be dealt with in accordance with the relevant Licensee's complaint resolution procedures.

## **26. External complaints resolution – FOS, ASX and ASIC**

As we are a member of the Financial Ombudsman Service (**FOS**), we will advise you if you continue to have a complaint with us that you have the option to pursue your complaint with FOS. Contact details for FOS are:

**Financial Ombudsman Service**  
GPO Box 3  
Melbourne VIC 3001  
  
Ph: 1300 780 808  
Fax: (03) 9613 6399

If you remain unsatisfied with our response to a complaint, you are at all times free to pursue the matter with ASX. ASIC also has an Infoline on 1300 300 630 which you may use to make a complaint and obtain information about investor rights.

## 27. Compensation arrangements

D2MX has professional indemnity insurance which it considers is adequate having regard to:

- (a) the volume and types of business carried on by it;
- (b) the number and types of its clients;
- (c) the number of its representatives; and
- (d) any particular or potential claims that may arise pursuant to our participation in external dispute resolution schemes, including the FOS scheme.

D2MX considers that these compensation arrangements satisfy the requirements of s 912B of the Corporations Act and associated regulations.

## 28. Privacy

At D2MX the privacy of your personal information is important to us. Our privacy policy is contained in the terms of your agreement with us.