PART I

Product Disclosure Statement

AFS Licence No. 297950

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D2MX Pty Ltd (ABN 98 113 959 596)

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A Participant of ASX Group

Product Disclosure Statement

AFS Licence No. 297950

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.

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.

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). 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..

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 orde 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 orde 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

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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, Penson Financial Services Australia Pty Ltd ABN 60 136 184 962 AFS Licence No. 338264 (**Penson**). Penson 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..

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 .

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 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 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. 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. 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 contact.

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.

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 or 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 and 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.

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 (CHESS) on T+3 from date of exercise. D2MX's clearer, Penson, 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).

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).

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.

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 Penson in the course of dealing in options, and D2MX or Penson 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 Penson'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..

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 for further discussion.