



Target market determination
Exchange-traded options

Last updated 15 September 2021



1. Determination criteria

1.1 Version number

Target Market Determination (TMD) v001

1.2 Start date

5 October 2021

1.3 First and ongoing review period

The first review, and each ongoing review, must be completed within each consecutive 12-month period from the Start Date.

1.4 Product

Exchange traded options (ETOs) traded on the ASX market.

1.5 Issuer

Openmarkets Australia Ltd ABN 38 090 472 012, AFSL 246705 (Openmarkets)

1.6 Overview of this document

This document is a TMD for the purposes of section 994B of the Corporations Act 2001 (Cth) (**Corporations Act**) in respect of ETOs issued by Openmarkets This document applies to retail clients only (**Clients**). It is not a product disclosure statement (PDS) and does not consider any particular Client's objectives, financial situation or needs. ETOs are typically suitable for Clients who have sufficient experience and understanding of the product. Refer to the "**Overview of ETOs**" section below which covers off the risks of trading ETOs. You should refer to our PDS at <https://openmarkets.com.au/legals> as well as any other relevant Openmarkets documents, ensure you fully understand the risks involved, and consider seeking independent advice before deciding to trade ETOs.

2. Target market

2.1 Description and key attributes

ETOs are exchange traded options quoted on the ASX and traded on the ASX market.

An option is a contract between two parties giving the taker (**Buyer**) the right, but not the obligation, to buy or sell a security at a predetermined price on or before a predetermined date. To acquire this right the Buyer pays a premium to the writer (**Seller**) of the contract.

ETOs may be call options or put options:

- **Call Option:** an option that gives the Buyer the right, but not the obligation, to

buy a security at a predetermined price on or before a predetermined date.

- **Put Option:** an option that gives the Buyer the right, but not the obligation, to sell a security at a predetermined price on or before a predetermined date.

An ETO has the following key attributes:

- The requirement for the Buyer to:
 - pay the premium and a brokerage fee from a linked cash account; and
 - have the funds to settle the transaction if the option is exercised.
- The requirement for the Seller to:
 - deposit cash or collateral to cover their obligations;
 - pay margins calculated by ASX Clear (the clearing and settlement facility) and the Issuer; and
 - deliver the underlying security if required upon exercise.

The underlying product can be an individual financial product, such as a quoted share or other financial product, or an index. For more information on the basic features of ETOs, please refer to the Openmarkets Options PDS:

<https://openmarkets.com.au/legals>

2.2 Consumer needs and objectives

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

- hedge against fluctuations in their underlying share portfolio;
- increase the income earned from their portfolio (through the earning of premium income);
- increase returns from leverage;
- diversify their portfolio, and profit from market movements.

ETOs are subject to significant risks, including (without limitation):

- Buyers of ETOs risk losing their premium (i.e. the entire up-front amount invested) if the ETO is not “in-the-money” at the time of exercise. Depending on the strategy used, losses can be substantial.
- Sellers of ETOs are exposed to potential margin calls, which may require cash or other assets to be lodged at short notice; and sellers of uncovered ETOs are exposed to potential material risk, including material losses for sellers of uncovered put options and potentially unlimited losses for sellers of uncovered call options.

Generally speaking, ETOs are not suitable for Clients who are unable to withstand losses without material personal hardship. For more information on the benefits

and risks of ETOs, please refer to the Openmarkets Options PDS:

<https://openmarkets.com.au/legals>

2.3 Consumer financial situation

A Buyer that will need to have access to sufficient available funds to pay for, the premium and a brokerage fee from a linked cash account; and funds to settle the transaction if the option is exercised.

A Seller that will need to have access to sufficient cash or collateral to cover their obligations and to pay margins calculated by ASX Clear and the Issuer.

ETOs may not be suitable for clients who have a high priority on protecting their investment capital and aim to avoid the potential for losses. Both the purchase and sale of ETOs involve risk.

The Issuer may profile clients and review client financial and related information as part of an upfront and ongoing due diligence assessment process, depending upon the option trading strategy being requested by the client.

2.4 Appropriateness statement

The Issuer has considered that the product including its key attributes is appropriate for the target market, including the likely objectives, financial situation and needs of consumers in the target market. ETOs will generally not be suitable for Clients outside the target market. Potential categories would include:

- Clients who do not understand the risks of ETOs as applicable to their proposed trading; and
- Clients who cannot bear the consequences of potential losses without material impact on their standard of living.

3. Distribution obligations

3.1 Authorisation (This condition applies to all distribution conduct)

Condition 1

A distributor must:

- hold an appropriate Australian Financial Services License (AFSL) or be an authorised representative of an AFSL holder; and
- if the distributor is not the Issuer, comply with the terms and conditions of any relevant distribution agreement or arrangement with the Issuer.

This condition is appropriate as it ensures distributors are appropriately authorised to provide the relevant regulated financial services and will comply with the commercial terms agreed between the distributor and the Issuer.

3.2 General advice including marketing

Condition 2

A distributor may provide general advice (such as marketing) as to the product through limited public channels, such as:

- advertising available on specialist periodicals related to purchasing shares (including relevant social media), physical banners, brochures and other marketing material;
- Issuer or its related entities:
 - websites; and
 - customer contact centre.

This condition is appropriate as the target market is relatively narrow as the product is specialised. It is intended that these channels may be available to persons who may not at the time require this kind of product. This is because the issue of the product is subject to Distribution Conditions 1, 3, 4 and 5 which will ensure that the product is only issued to persons for whom it will be appropriate.

3.3 Retail product distribution conduct (other than general advice)

Condition 3

A distributor must only engage in retail product distribution conduct (other than general advice) through:

- The Issuer's platform.

This condition is appropriate as the target market for issuance of this product is narrow – limited to those that understand the benefits and risks of purchasing securities of this nature. It is also appropriate as the Issuer has distributed this product using this method, with considered risk to consumers.

Condition 4

A distributor must only engage in retail product distribution conduct (other than general advice) if it has identified the key differences between:

- The product (including the specific product option requested by the consumer); and
- The other product options for the product and other ETOs issued by the Issuer.

This condition is appropriate as it requires a distributor to confirm that the consumer is in the target market.

Condition 5

A distributor through the Issuer's platform must only engage in retail product

distribution conduct (limited to dealing in the product) if it has identified that the consumer has successfully completed and scored at least 80% on an Options online assessment.

This condition is appropriate as it requires a distributor to confirm that the Client understands the product (including its benefits and risks).

4. Review triggers

4.1 The Issuer and any distributor of this product, must cease all retail product distribution conduct (except excluded conduct) in respect of this product within ten (10) Business Days of the Issuer identifying a review trigger has occurred, unless:

- The Issuer has determined that this TMD continues to be appropriate; or
- A new TMD has been made.

The events and circumstances described below will trigger a review of this TMD if the Issuer determines it may relate to the appropriateness of the TMD having regard to the Issuer’s internal policies:

- The Issuer will publish notices of a review on its website.

Material complaints	Consumer complaints (in number or significance) within a three-month period regarding understanding of risks, key terms, conditions or features of this product.
Feedback from distributors	Reporting received from distributors, or consistent feedback from distributors which suggests that the target market may no longer be appropriate.
Substantial product change	The Issuer makes a substantial change to the product terms, conditions or key attributes.
Product performance	<ul style="list-style-type: none"> • Evidence that customer usage is significantly different from original Issuer expectations (e.g. a different product purpose). • Evidence that product is no longer meeting the financial situation, needs and objectives of the target market for whom the product was designed. • Evidence of substantial sales outside of the Target Market.
Significant change to the external environment	<ul style="list-style-type: none"> • Regulatory or legislative environment for this product. • Economic and market conditions.
Notification from ASIC	The Issuer receives a notification from ASIC requiring immediate cessation of product distribution or particular conduct in relation to the product.
Significant dealings	Evidence that product or distributor conduct are significantly different to the TMD.

5. Reporting

5.1 Reporting period

The reporting period for this TMD is every three (3) months commencing from the Start Date.

5.1 Reporting information

The distributor must provide the information in writing as soon as practicable or within ten (10) Business Days after the end of the relevant reporting period.

Complaint information	Complaints related to risks, key terms, conditions or features of this product, including: <ul style="list-style-type: none">• The number of complaints;• The nature and circumstances of the complaints; and• Whether or not there has been or is likely to be consumer harm or detriment, and if so, the nature of the harm or detriment.
Significant dealings	If a distributor becomes aware of a significant dealing in the product or distributor conduct that is not consistent with the TMD, they must notify the issuer in writing as soon as practicable, and in any event within ten (10) Business Days after becoming aware.
Other information requested by Issuer	Any other information requested in writing by the Issuer from time to time, subject to: <ul style="list-style-type: none">• The request being necessary to enable the Issuer to meet its legal and compliance obligations; and• The Issuer providing at least twenty (20) Business Days' notice before the end of the Reporting Period.