

This document is a Target Market Determination (TMD) for the purposes of section 994B of the *Corporations Act 2001* (Cth) in respect of Exchange Traded Options (ETOs) issued by Australian Investment Exchange Limited (AUSIEX).

This document is not a Product Disclosure Statement (PDS) and does not take into account any particular investor's objective, financial situation or needs. You should refer to our PDS available from our website and consider obtaining independent financial product advice before deciding to invest in ETOs.


<b>Issuer</b>	Australian Investment Exchange Limited ABN 71 076 515 930 AFSL 241400 (AUSIEX)									
<b>Product Name</b>	AUSIEX issued Exchange Traded Options traded on the ASX market (ETOs)									
<b>Review Date</b>	5 October 2023									
<b>Overview of ETOs</b>	<p>The ETOs covered by this TMD are Exchange Traded Equity Options and Exchange Traded Index Options available on the Australian Securities Exchange (ASX):</p> <ul style="list-style-type: none"> <li>Exchange Traded Equity Options are options over a select group of quoted shares (or other securities); and</li> <li>Exchange Traded Index Options are options on a select group of exchange indices.</li> </ul> <p>The ETOs covered by this TMD do not include low exercise price options (LEPOs) traded on the ASX, debt options, foreign currency options or options traded on US exchanges.</p> <p>The types of ETOs that clients can trade in will depend on the <b>Trading Tier</b> which AUSIEX, in its sole discretion, has assigned to them. Two (2) Trading Tiers are currently available, Tier 1 and Tier 2, the characteristics of which are as follows:</p> <table border="1" data-bbox="327 929 1340 1176"> <thead> <tr> <th>Trade</th> <th>Tier 1</th> <th>Tier 2</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Buy Calls and Puts to Open</li> <li>Sell Calls and Puts to Close</li> <li>Sell Covered Calls to Open (Specific and General Cover)</li> </ul> </td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Sell uncovered Calls to Open (on margin)</li> <li>Sell uncovered Puts to Open (on margin)</li> </ul> </td> <td>No</td> <td>Yes</td> </tr> </tbody> </table> <p>Reasons why investors may trade via ETOs include:</p> <ul style="list-style-type: none"> <li>To reduce risk by hedging against other exposures (e.g. acquiring an ETO over shares the investor already holds), or to lock in a price to purchase or sell underlying investments;</li> <li>To earn increased income by obtaining premium from selling options; or</li> <li>To seek to make profits from speculation.</li> </ul>	Trade	Tier 1	Tier 2	<ul style="list-style-type: none"> <li>Buy Calls and Puts to Open</li> <li>Sell Calls and Puts to Close</li> <li>Sell Covered Calls to Open (Specific and General Cover)</li> </ul>	Yes	Yes	<ul style="list-style-type: none"> <li>Sell uncovered Calls to Open (on margin)</li> <li>Sell uncovered Puts to Open (on margin)</li> </ul>	No	Yes
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<b>Target Market</b>	<p><b>AUSIEX Target Market for ETOs issued to Retail Clients</b></p> <p>Given the diverse nature of different ETO strategies, AUSIEX has determined that the target market for ETOs issued to retail clients (<b>Target Market</b>) is a retail client that falls within one (or more) of the categories below (<b>Client</b> or <b>Clients</b>):</p> <ul style="list-style-type: none"> <li><u>High Risk Tolerance Investors</u> – Clients seeking to make profit via speculation in ETOs;</li> <li><u>Risk Mitigation Investors</u> – Clients seeking to hedge potential risk from other investments or exposures, or lock in a price to purchase or sell underlying investments; and</li> <li><u>Premium Generation Investors</u> – Clients seeking to earn income by selling options covered by holdings of underlying assets.</li> </ul> <p>There may be some overlap between some of these categories. It is not necessary for a Client to fall within all three categories; it is sufficient for a Client to fall within one of the above categories to be within the Target Market.</p> <p>Clients in the Target Market must demonstrate that they understand and accept the risks associated with ETO trading, including but not limited to those set out below, by passing a knowledge-based test created and administered by AUSIEX (<b>Suitability Questionnaire</b>):</p> <ul style="list-style-type: none"> <li>Market movement and volatility;</li> <li>Leverage (which can multiply profits as well as losses);</li> <li>Expiry (limited life/wasting asset nature of options);</li> <li>Exercise and Assignment;</li> <li>Margin Call and the ongoing obligations of some options positions; and</li> <li>Financial loss.</li> </ul> <p>Clients in the Target Market will also need to satisfy certain eligibility criteria (<b>Eligibility Criteria</b>), namely that the Client must:</p> <ul style="list-style-type: none"> <li>Be individuals 18 years of age or above;</li> <li>Either: <ul style="list-style-type: none"> <li>For personal/joint accounts, have an Australian residential and postal address; or</li> <li>Be an Australian registered or incorporated company; or</li> <li>Be an Australian trust or SMSF; and</li> </ul> </li> </ul>									




Target Market	<ul style="list-style-type: none"> <li>• Have an existing AUSIEX share trading account in the same name; and</li> <li>• Pass the Suitability Questionnaire for their chosen Trading Tier (noting that where there is more than one authorised person for an account, each user may need to pass the Suitability Questionnaire prior to the commencement of trading).</li> </ul>
	<p><b>Likely Objectives, Financial Situation and Needs of the Target Market</b></p> <p><u>High Risk Tolerance Investors</u> are Clients likely to have a higher risk appetite and who are seeking higher returns through riskier strategies and speculation and are prepared to suffer material losses (and able to withstand such losses).</p> <ul style="list-style-type: none"> <li>• <i>Likely objectives:</i> Use existing assets to support leverage (e.g. investing with a lower outlay compared to buying shares directly) in order to seek higher returns with corresponding higher risk.</li> <li>• <i>Likely financial situation:</i> Have a relatively high and regular income and/or substantial holdings of capital available for investment. Are able to withstand losses from trading without causing distress or material impact on living standards. Have available liquid assets to fund potential margin calls. Have a strong understanding of ETOs and trading strategies.</li> <li>• <i>Likely needs:</i> Wish to use spare capital to make enhanced returns.</li> </ul> <p><u>Risk Mitigation Investors</u> are Clients who are likely to be relatively risk averse and are looking to protect previous gains, lock in purchase or sale prices, or mitigate against potential future losses.</p> <ul style="list-style-type: none"> <li>• <i>Likely objectives:</i> Protect previous gains or mitigate against potential future losses and/or lower the cost of acquiring underlying assets.</li> <li>• <i>Likely financial situation:</i> Have existing investments or exposures which the Client wishes to hedge.</li> <li>• <i>Likely needs:</i> Loss or profit protection.</li> </ul> <p><u>Premium Generation Investors</u> are likely to be Clients with a moderate risk appetite who are looking to increase their yield but are prepared to have the options exercised against them.</p> <ul style="list-style-type: none"> <li>• <i>Likely objectives:</i> Increase their income return.</li> <li>• <i>Likely financial situation:</i> Hold existing positions in underlying stocks. Require a regular income. Are able to address capital gains tax position if ETOs sold by the Client are exercised against.</li> <li>• <i>Likely needs:</i> Increase income return.</li> </ul>
Target Market cont.	<p><b>Different ETO strategies</b></p> <p>We expect <u>High Risk Tolerance Investors</u> will be likely trading in <u>Tier 1</u> and/or <u>Tier 2</u>.</p> <p>We expect <u>Risk Mitigation Investors</u> and <u>Premium General Investors</u> will be likely trading in <u>Tier 1</u> only. SMSFs are eligible for <u>Tier 1</u> trading only and must have a Derivatives Risk Statement as part of their application documentation.</p> <p>Finally, we consider that the Target Market includes any Client whose open ETO positions are being closed out at any time (whether on the instruction of the Client, due to the exercise of rights by AUSIEX, by action of ASX group, or otherwise), even if that Client would not otherwise fall within a category within the Target Market.</p> <p><b>Explanation of why ETOs are likely to be consistent with the likely objectives, financial situation and needs of the Target Market</b></p> <p>We expect that <u>Tier 1 ETOs</u> and <u>Tier 2 ETOs</u> will likely be consistent with the likely objectives, financial situation and needs of <u>High Risk Tolerance Investors</u> because these products offer the potential for enhanced returns, and this class of Client should be able to bear any potential losses without material hardship.</p> <p>We expect that <u>Tier 1 ETOs</u> will likely be consistent with the likely objectives, financial situation and needs of <u>Risk Mitigation Investors</u> because these products offer the ability to protect or lock-in any previous profits from an underlying investment and/or protect against future losses.</p> <p>We expect that <u>Tier 1 ETOs</u> will likely be consistent with the likely objectives, financial situation and needs of <u>Premium Generation Investors</u> because these products offer the potential for increased income, and this class of Client should be able to bear any consequences of their ETOs being exercised against without material hardship.</p> <p><b>Clients for whom ETOs are unsuitable</b></p> <p>ETOs will generally not be suitable for retail clients outside the Target Market. Potential categories would include retail clients who do not demonstrate that they understand and accept the risks of options trading (for example, if they do not pass the Suitability Questionnaire to AUSIEX's satisfaction), and retail clients who cannot bear the consequences of potential losses without material impact on their standard of living.</p>
Distribution Conditions	<p>The distribution of ETOs is subject to the conditions and restrictions outlined below.</p> <p>ETOs can only be distributed:</p> <ul style="list-style-type: none"> <li>• Direct to Clients by AUSIEX in accordance with the authorisation provided under AUSIEX's Australian financial services licence (AFSL), including through white label arrangements that AUSIEX has in place with third parties.</li> <li>• By an AFSL holder authorised to provide financial product advice about derivatives to retail clients, whose representatives and/or authorised representatives providing the advice hold a current Level 2 Accredited Derivatives Adviser certificate and with whom AUSIEX has a written agreement governing the terms of the distribution arrangements (<b>Authorised Financial Adviser(s)</b>).</li> </ul> <p>These distribution conditions are such that it is likely that ETOs will be distributed to Clients who are in the Target Market given that:</p> <ul style="list-style-type: none"> <li>• AUSIEX will have oversight of how ETOs are issued and the application of the Eligibility Criteria, including through ensuring that:</li> </ul>

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<b>Distribution Conditions cont.</b>	<ul style="list-style-type: none"> <li>Authorised Financial Advisers must comply with their obligations under their written agreement with AUSIEX (<b>Distribution Agreement</b>), which includes complying with the distribution conditions and restrictions (failing to do so may mean that their respective authority to distribute ETOs can be terminated). No Authorised Financial Adviser is permitted to distribute AUSIEX issued ETOs to prospective Clients unless the Authorised Financial Adviser considers on reasonable grounds that each prospective Client is likely to be within the Target Market.</li> </ul>												
<b>Review Triggers</b>	<p>A review of this TMD must be undertaken by AUSIEX to determine if this TMD remains appropriate, if any of the following triggers occur (<b>Review Trigger</b>):</p> <ul style="list-style-type: none"> <li>Material or significant number of complaints have been received from Clients who acquire ETOs, which relate to the Clients' acquisition or use of ETOs and which reasonably suggest that the TMD is no longer appropriate for ETOs; or</li> <li>Material changes to the law affecting ETOs; or</li> <li>A material incident or significant number of incidents occur, which relate to Clients' use of the ETO and which reasonably suggest that the TMD is no longer appropriate for ETOs; or</li> <li>A significant dealing of ETOs to clients who are outside the Target Market occurs; or</li> <li>The receipt of a product intervention power order or notice from ASIC requiring AUSIEX to immediately cease retail product distribution conduct in respect of ETOs; or</li> <li>The material alteration of the ETO product or ETO terms and conditions which would cause the TMD to no longer be appropriate for ETOs; or</li> <li>Any other event or circumstance that AUSIEX views would materially change a factor taken into account in making the TMD.</li> </ul>												
<b>Review Period (ongoing)</b>	<ul style="list-style-type: none"> <li>At least every 12 months from the Review Date of this TMD; or</li> <li>Within 12 months after the occurrence of a Review Trigger.</li> </ul>												
<b>Review Trigger Information Reporting Requirements</b>	<p>The following information must be provided to AUSIEX by Authorised Financial Advisers who engage in retail product distribution conduct in relation to ETOs in accordance with the TMD, within the required timeframes.</p> <table border="1" data-bbox="331 1211 1474 1621"> <thead> <tr> <th>Information Type</th> <th>Description</th> <th>Time Frame for Reporting</th> </tr> </thead> <tbody> <tr> <td>ETO Complaints Data</td> <td>Information relating to complaints received by the Authorised Financial Adviser, including Client information and complaint details.</td> <td>Monthly unless the complaint must be provided to AUSIEX for management in accordance with the Distribution Agreement in which case immediately.</td> </tr> <tr> <td>Percentage of sales not within the Target Market</td> <td>Sales report providing the number of sales the Authorised Financial Adviser considers may be outside the TMD.</td> <td>Monthly unless the Authorised Financial Adviser considers there to be a significant dealing in ETOs in which case as soon as practicable, (and in any case no more than 10 business days of becoming aware).</td> </tr> <tr> <td>Incident and breach reporting</td> <td>Copies of all incident and breach reporting undertaken by the Authorised Financial Adviser internally in respect of ETOs.</td> <td>Monthly, unless the matter must be provided to AUSIEX for management in accordance with the Distribution Agreement, in which case, as soon as practicable.</td> </tr> </tbody> </table>	Information Type	Description	Time Frame for Reporting	ETO Complaints Data	Information relating to complaints received by the Authorised Financial Adviser, including Client information and complaint details.	Monthly unless the complaint must be provided to AUSIEX for management in accordance with the Distribution Agreement in which case immediately.	Percentage of sales not within the Target Market	Sales report providing the number of sales the Authorised Financial Adviser considers may be outside the TMD.	Monthly unless the Authorised Financial Adviser considers there to be a significant dealing in ETOs in which case as soon as practicable, (and in any case no more than 10 business days of becoming aware).	Incident and breach reporting	Copies of all incident and breach reporting undertaken by the Authorised Financial Adviser internally in respect of ETOs.	Monthly, unless the matter must be provided to AUSIEX for management in accordance with the Distribution Agreement, in which case, as soon as practicable.
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Exchange Traded Options (ETO) trading is a service provided by Australian Investment Exchange Limited ABN 71 076 515 930, AFSL 241400 ("AUSIEX"), a wholly owned subsidiary of Nomura Research Institute, Ltd. ("NRI"). AUSIEX is a Market Participant of ASX Limited ("ASX") and Cboe Australia Pty Ltd ("Cboe"), a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited. AUSIEX is not authorised to carry on business in any jurisdiction other than Australia. Accordingly, the information contained in this document is directed to and available for Australian residents only. ETO trading is a service provided by AUSIEX, the Issuer of ETO products. Your trading in ETOs is conducted by AUSIEX.

## Need help? Contact us.

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