

Application Exchange Traded Options



Westpac Securities

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Westpac Securities Limited ABN 39 087 924 221

Options Trading with Westpac Online Investing is a service provided through Westpac Securities Limited ABN 39 087 924 221 AFSL 233723 (Westpac Securities) by Australian Investment Exchange Ltd (the Participant, we, us, our) ABN 71 076 515 930 AFSL 241400, a participant of the ASX Group and Chi-X Australia.

Important: You need to have an existing CHESS sponsored Westpac Online Investing account to open an Exchange Traded Options account. Please download an application form from www.westpac.com.au/onlineinvesting or by calling **13 13 31**.

Before you start

Ensure that you have read the Exchange Traded Options Product Disclosure Statement (PDS). You should also have read the following:

- The ASX Understanding Options Trading booklet
- The ASX Margins booklet
- The Client Agreement for Exchange Traded Options (in the PDS)
- The Risk Disclosure Statement (in the PDS)
- The Customer Information and Privacy section of the PDS.

Client Details

Do you have a CHESS sponsored Westpac Online Investing account?

Yes Please provide the details below

No Please attach this application form to your Westpac Online Investing Account Application.

The entities applying for the Exchange Traded Options account have to be identical with those on the Westpac Online Investing account. An entity cannot have an Exchange Traded Options trading account without a Westpac Online Investing account.

I/We have a Westpac Online Investing Account

Account Number

Account Name

Designation (if applicable)

Applicant 1/Director 1/Trustee 1 Name

Username

Email Address

YOU MUST PROVIDE AN EMAIL ADDRESS

Applicant 2/Director 2/Trustee 2 Name

Username

Email Address

YOU MUST PROVIDE AN EMAIL ADDRESS

Applicant 3/Director 3/Trustee 3 Name

Username

Email Address

YOU MUST PROVIDE AN EMAIL ADDRESS

Questionnaire

Please indicate which levels of access you require.

Tier 1 Allows you to trade Long Puts or Calls and Covered Calls as single leg and rollover Covered Calls using Multi Leg orders.
(Complete questions 1 to 6)

Tier 2 Allows you to trade Long Puts or Calls and write Puts or Calls as single or Multi Leg orders. Ratio spreads may be traded over the phone only.
(Complete questions 1 to 21)

1. Have you traded Exchange Traded Options before?

Yes Go to question 2 below

No Go to question 6 below

2. How many times have you traded Exchange Traded Options in the last 12 months?

0 1-2 3-5 6+

3. Have you previously written Covered Options (ie scrip covered)?

Yes No

4. Have you previously written Uncovered Options?

Yes No

5. Why do you wish to trade options?

Hedging/risk management Income generation

Speculation Other (please give details)

Financial Details

6. What is your approximate annual gross income (pre-tax)?

Less than \$50,000

\$50,000 - \$100,000

Greater than \$100,000

Application Exchange Traded Options



Financial Details (Tier 2 applicants only)

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

(a) Applicant 1/Director 1/Trustee 1

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

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

(b) Applicant 2/ Director 2/ Trustee 2 (if applicable)

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

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

(c) Applicant 3/ Director 3/ Trustee 3 (if applicable)

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

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



Tier 2 Trading Applicants

Tier 2 trading allows you to place more complex orders such as short calls or puts.

All questions must be answered correctly to be enabled with Tier 2 trading on your Exchange Traded Options account.

8. You hold the following Option position for DEF Limited (DEF):
Short 20 DEF June \$38.00 Calls.

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

Which of the following statements is correct?

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

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

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

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

10. If additional margin is needed to cover a position, the Participant can:

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

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

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

12. You enter the following Index Option position for S&P/ASX 200 Index (XJO):

Long 1 XJO June 5000 Call @ 100 points.

What is the total premium paid for this option order, assuming an Index Multiplier of \$10?

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

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

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

14. You hold the following Bull Call spread position in OPQ Limited (OPQ)

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

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

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

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

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

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

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

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

17. You enter the following strategy for XYZ Limited (XYZ):

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

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

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

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

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

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

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

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

Application

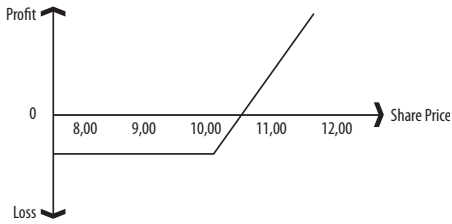
Exchange Traded Options



20. Please tick the correct pay-off diagram which accurately shows the break-even point, maximum profit and maximum loss for the following scenario:

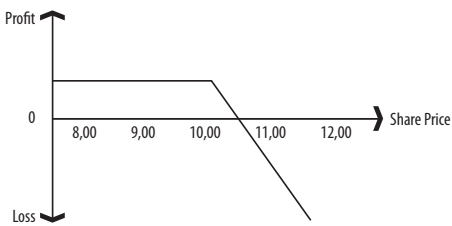
Company XYZ is trading at \$10.00. You sell 1 x \$10.00 XYZ Call for a premium of \$0.50.

(a)



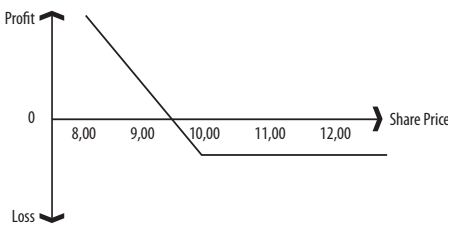
- Break-even \$10.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(b)



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

(c)

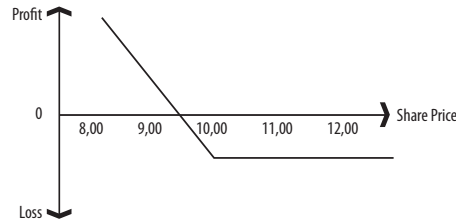


- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

21. Please tick the correct pay-off diagram which accurately shows the break-even point, maximum profit and maximum loss for the following scenario:

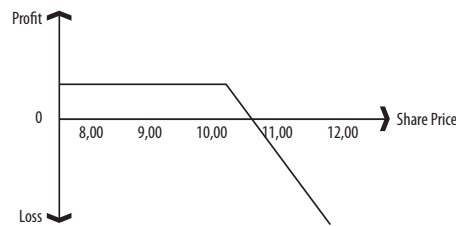
Company XYZ is trading at \$10.00. You sell 1 x \$10.00 XYZ Put for a premium of \$0.50.

(a)



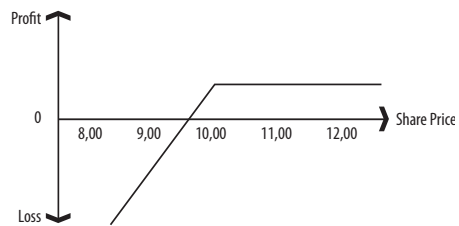
- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(b)



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

(c)



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

Office use only

Please tick one

PASS FAIL

Officer's name

Application Exchange Traded Options



All applicant(s) to complete

Registered Holder Collateral Cover Authorisation

Account Details

Options Account Number (if known, otherwise leave this field blank):

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Holder Identification Number

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I/we (full names) (The Registered Holder)

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authorise my Controlling Participant, to reserve (or withdraw) Financial Products (the Collateral) registered in the name of the Registered Holder in the ASX Clear Pty Ltd, ABN 48 001 314 503 (ASX Clear) Sub-position as Collateral Cover for obligations in respect to Options Market Contracts registered in the Client Accounts nominated above with

Australian Investment Exchange Ltd

ABN 71 076 515 930, AFSL 241400

- The Registered Holder acknowledges that ASX Clear may, in its absolute discretion, decline to accept in relation to all or any participant Client Account nominated above for the purposes of accepting paperless lodgements.
- The Registered Holder acknowledges that on behalf of the Registered Holder, the Controlling Participant will reserve (or withdraw) Collateral in the ASX Clear Sub-position by sending the appropriate Collateral lodgement message so that the Collateral lodged comes under the control of ASX Clear, or Collateral withdrawn leaves the control of ASX Clear, in accordance with the ASX Clear Operating Rules and Procedures (as amended from time to time).
- In registering Collateral in the ASX Clear Sub-position, the Registered Holder acknowledges that the Collateral will be subjected to a fixed charge (the Charge) in favour of ASX Clear from the time they are reserved to the ASX Clear Sub-position in the manner referred to above, and will remain subject to the Charge until ASX Clear permits it to be withdrawn from the ASX Clear Sub-position.
- The Registered Holder acknowledges that the Charge secures all amounts and obligation owing by the ASX Clear Participant to ASX Clear in connection with the Client Accounts nominated above opened by the ASX Clear Participant in accordance with the ASX Clear Operating Rules and Procedures (as amended from time to time).
- The Registered Holder acknowledges that Registered Holder has read and understood the ASX Clear Operating Rules and the ASX Settlement Operating Rules, in so far as those rules relate to the Collateral and the Charge, including:
 - ASX Clear's power to deal with the Collateral on default by the ASX Clear Participant in respect to the Client Account nominated above; and
 - In particular, ASX Clear's power of sale in relation to the Collateral without any notice to the Registered Holder.Reference to these rules can be found at <http://www.asx.com.au>

- The Registered Holder warrants that unless ASX Clear otherwise agrees in writing, the Collateral is not and may not be subject to any other security interest, other than a security interest provided to a margin lender under a deed of priority, entered into between ASX Clear and the margin lender, which provides that ASX Clear's Charge has priority over the margin lender's security interest (the Deed of Priority) or a security interest as permitted under the ASX Clear Operating Rules or the ASX Settlement Operating Rules.
- If the Registered Holder's Controlling Participant is a margin lender the Registered Holder warrants that they have signed an acknowledgement regarding the Deed of Priority as set out in Schedule 2 or Schedule 3, as applicable, to the Deed of Priority.
- If the ASX Clear Participant is unable to insert the Account Numbers and/or HIN at the time the Register Holder signs this form the Registered Holder irrevocably authorises the ASX Clear Participant to insert the Account Numbers and/or HIN on this agreement and agrees the ASX Clear Participant will insert the Account Numbers and/or HIN on the Registered Holder's behalf, prior to lodging this Authorisation with ASX Clear. The ASX Clear Participant agrees that it will notify the Registered Holder of the Account Numbers and/or HIN in writing as soon as reasonably possible.
- Defined terms have the same meaning as defined in the ASX Clear Operating Rules or the ASX Settlement Operating Rules and Procedures (as amended from time to time).

Authorised Signature(s)

Signature(s) of all persons authorised to operate the account.

Signature of Account holder 1/Trustee 1 or Director 1 or Company Secretary (on behalf of Company Account holder)*

	Date: DD / MM / YY
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Signature of Account holder 2/Trustee 2 or Director 2 or Company Secretary (on behalf of Company Account holder)*

	Date: DD / MM / YY
--	-----------------------

Signature of Account holder 3/Trustee 3 or Director 3 or Company Secretary (on behalf of Company Account holder)*

	Date: DD / MM / YY
--	-----------------------

Witnessed by:

Signature of Witness

	Date: DD / MM / YY
--	-----------------------

Print Name:

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Residential Address (not a PO BOX):

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Postcode

*If a corporation, must be signed in accordance with the Corporations Act, or if signed under Power of Attorney, a copy of the Power of Attorney must also be attached to this Authorisation.

Application Exchange Traded Options



Tier 1 and 2 Applicant's Acknowledgement & Signature(s)

- I/we have read the Exchange Traded Options PDS and the Client Agreement for Exchange Traded Options in the Exchange Traded Options PDS. If the application is accepted, I/we agree to abide by that Agreement.
- I/we confirm that the information I/we have provided in the Questionnaire of this application form is true and correct.
- I/we have received or accessed the ASX Understanding Options Trading booklet.
- I/we have read Clause 29 of the Client Agreement for Exchange Traded Options in the Exchange Traded Options PDS relating to email confirmations. I/we acknowledge and consent that on supplying an email address, it will be used as the sole method of communication as detailed in that section.
- I/We have read and accept Clause 32 of the Client Agreement for Exchange Traded Options in the Exchange Traded Options PDS relating to the obligations and liabilities I/we will have to the Security Trustee.
- I/we have read and understood the Risk Disclosure Statement in the Exchange Traded Options PDS.
- I/We consent to the collection, use, disclosure and storage of my/our personal information in accordance with the Customer Information and Privacy section of the Exchange Traded Options PDS, the Westpac privacy policy (available at westpac.com.au or by calling 132 032), and the Participant's privacy policy (available at westpac.com.au/onlineinvesting), each as amended from time to time.
- I/we agree and confirm that the settlement method will be identical to the one used on my/our Share Trading Account.
- I/we agree to a limited range of Exchange Traded Options trading strategies until I/we have successfully completed and answered all required Tier 2 questions, after which more complex strategies can be entered.

Tier 2 Applicants – Additional Acknowledgements

- I/we understand the term 'Leverage' as defined in the Risk Disclosure Statement in the Exchange Traded Options PDS, and have considered and accept all the risks involved when writing a Call or Put Option.
- I/we have read the ASX Margins booklet and are aware of my/our margin obligations when writing Call or Put Options.
- I/we understand that if I/we intend to lodge stock to meet my/our margin obligations I/we need to complete and mail in an original Registered Holder Collateral Cover Authorisation form (of this application form).
- I/we understand that the Participant may call for proof of my/our ability to service the obligations of my/our open short positions. I/we agree to provide any requested financial statements and understand the Participant may restrict my/our trading activity until I/we have done so.
- I/we understand that the Participant requires all trades to settle through the same settlement arrangement as nominated on my/our Share Trading Account.
- I/we agree that when I/we give an instruction to write a Call or Put Option, that I/we have considered all information relating to that position that is available to the market (including but not limited to Financials, Announcements, Dividends (etc)) and that I am/we are responsible for the instructions that I/we confirm for placement.
- I/we agree that when I/we enter an Options position, that at all times I/we will be responsible for that position up until that position has been closed in full, and that I am/we are required to meet all settlements on T+1.

- I/we understand that corporate actions and other anomalies that occur in the market without prior warning may adversely affect my/our position.
- I/we agree that at any time without giving prior notice, the Participant has the right to reduce the trading level of my/our account and/or close any open positions if it is considered to be in the Participant's reasonable interest to do so.

By signing this Application in the place(s) provided, I/we acknowledge the correctness of these statements.

Information about products and services

Westpac Securities will use or disclose your personal information to contact you or send you information about other products and services offered by the Westpac Group or its preferred suppliers.

Please tick this box if you do not wish to receive marketing communications from us.

"Westpac Group" means Westpac Banking Corporation ABN 33 007 457 141 and its related bodies corporate.

All Applicants to Sign

Signature of Applicant 1/Director 1/Trustee 1

Date: DD / MM / YY

Print Name

Signature of Applicant 2/Director 2/Trustee 2

Date: DD / MM / YY


Print Name

Signature of Applicant 3/Director 3/Trustee 3

Date: DD / MM / YY

Print Name

Please mail this form including the Registered Holder Collateral Cover Authorisation form to:

 **Westpac Securities**
Reply Paid 85157
Australia Square
NSW 1214

If you are a new customer please also enclose your completed Westpac Online Investing Account application form.