

Tier 2 Trading Upgrade Exchange Traded Options



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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: Filling out this form will enable you to qualify for Tier 2 of Options trading. This will include Selling Uncovered Options (Call and Puts). All questions in section 3 must be answered correctly to be enabled with Tier 2 trading on your Exchange Traded Options Account.

Section 1 – Client Details

Options Account number

Account Name

Designation (if applicable)

Section 2 – Financial Details

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

(a) Applicant 1/Director 1/Trustee 1

Assets	Value
Primary residence	\$ <input type="text"/>
Additional investment properties	\$ <input type="text"/>
Number of properties	<input type="text"/>
Cash in bank accounts	\$ <input type="text"/>
Listed shares (unencumbered)	\$ <input type="text"/>
Other assets	\$ <input type="text"/>
Total assets (A)	\$ <input type="text"/>

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

(b) Applicant 2/Director 2/Trustee 2

Assets	Value
Primary residence	\$ <input type="text"/>
Additional investment properties	\$ <input type="text"/>
Number of properties	<input type="text"/>
Cash in bank accounts	\$ <input type="text"/>
Listed shares (unencumbered)	\$ <input type="text"/>
Other assets	\$ <input type="text"/>
Total assets (A)	\$ <input type="text"/>

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

(c) Applicant 3/Director 3/Trustee 3

Assets	Value
Primary residence	\$ <input type="text"/>
Additional investment properties	\$ <input type="text"/>
Number of properties	<input type="text"/>
Cash in bank accounts	\$ <input type="text"/>
Listed shares (unencumbered)	\$ <input type="text"/>
Other assets	\$ <input type="text"/>
Total assets (A)	\$ <input type="text"/>

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

Section 3: Suitability Questions

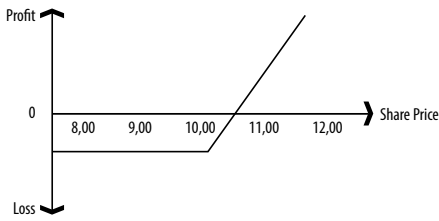
1. You hold the following Option position for DEF Limited (DEF):
Short 20 DEF June \$38.00 Calls.
The share price of DEF rises from \$38 to \$39.
Which of the following statements is correct?
- (a) The margin required for this position will increase
 (b) The margin required for this position will decrease
 (c) The margin required for this position will be the same
 (d) No margins apply to this position
2. 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
3. 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
4. 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
6. 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
7. 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
8. 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 X 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
9. Which of the following is not a valid Option strategy?
- (a) Bull Call spread
 (b) Ratio Bear Condor
 (c) Bull Put spread
 (d) Straddle
10. 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
11. 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
12. 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
13. 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 out your position(s).
 (c) This will have no impact on you
 (d) Your broker will pay your margin for you

Section 3: Suitability Questions (continued)

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

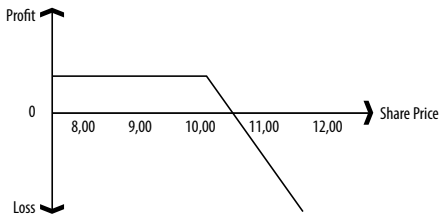
Company XYZ is trading at \$10.00. You sell 1 x \$10.00 XYZ Call for a premium of \$0.50.

(a)



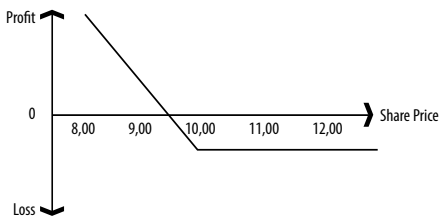
- Break-even \$10.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(b)



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

(c)

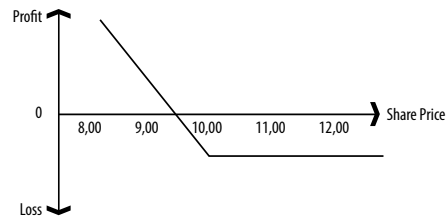


- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

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

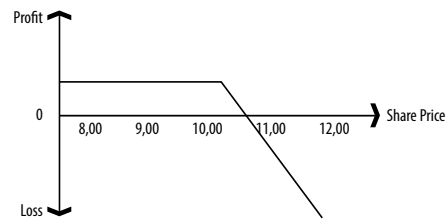
Company XYZ is trading at \$10.00. You sell 1 x \$10.00 XYZ Put for a premium of \$0.50.

(a)



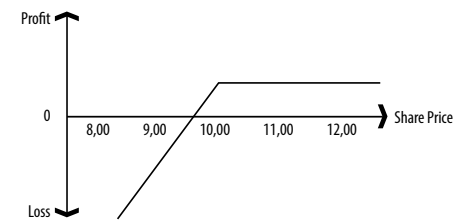
- Break-even \$9.50
- Maximum profit \$9.50
- Maximum loss \$0.50

(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

Section 4: Client's Acknowledgement & Signature(s)

- I/We confirm that the information I/we have provided in this Tier 2 Trading Upgrade form is true and correct.
- 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.
- 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.
- 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 Tier 2 Trading Upgrade form in the place(s) provided, I/we acknowledge the correctness of these statements.

Full Name

Signature of Applicant 1/ Director 1/ Trustee 1

Date:

DD / MM / YYYY

Full Name

Signature of Applicant 2/ Director 2/ Trustee 2

Date:

DD / MM / YYYY

Full Name

Signature of Applicant 3/ Director 3/ Trustee 3

Date:

DD / MM / YYYY

Office use only

PASS FAIL

Officer's name



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