

# Exchange Traded Options

## Target Market Determination

5 October 2021

<b>Issuer</b>	<p>Ord Minnett Limited ABN 86 002 733 048 (Ord Minnett) holds AFS Licence Number 237121 and E.L. &amp; C. Baillieu Limited ABN 74 006 519 393 (E.L. &amp; C. Baillieu) holds AFS Licence Number 245421. Ord Minnett and E.L. &amp; C. Baillieu are ASX Group Participants, Participants of Chi-X Australia Pty Ltd and are wholly owned subsidiaries of Ord Minnett Holdings Pty Limited ABN 32 062 323 728.</p> <p>Ord Minnett and E.L. &amp; C. Baillieu are the issuers of the Exchange traded options.</p>
<b>Product</b>	<p>Exchange traded options (<b>ETOs</b>) traded on the ASX market.</p>
<b>Date of TMD</b>	<p>5 October 2021</p>
<b>Overview of this document</b>	<p>This document is a target market determination for the purposes of section 994B of the <i>Corporations Act</i> 2001 (Cth) (<b>Corporations Act</b>) in respect of ETOs issued by us.</p> <p>This document is not a product disclosure statement (<b>PDS</b>) and does not take into account any particular investor's objective, financial situation or needs. You should refer to our PDS and consider obtaining independent financial product advice before deciding to invest in ETOs.</p>
<b>Overview of ETOs</b>	<p>ETOs are options quoted on the ASX. The underlying product can be an individual financial product, such as a quoted share or other financial product, or an index.</p> <p>There are three main reasons why retail clients may trade via ETOs:</p> <ul style="list-style-type: none"><li>• to reduce risk by hedging against other exposures (e.g. acquiring an ETO over shares the retail client 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> <p>ETOs are subject to significant risks, including but not limited to:</p> <ul style="list-style-type: none"><li>• Buyers of ETOs may lose their entire 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;</li><li>• Generally speaking, ETOs are not suitable for retail investors who are unable to withstand losses without material personal hardship.</li><li>• ETOs are also typically only suitable for investors who have sufficient experience and understanding of the product;</li><li>• ETOs are a leveraged instrument. Leverage can magnify losses as well as gains. In other words, a high degree of leverage involved in many ETOs can work against a buyer, multiplying their losses if the market moves against the buyer;</li><li>• ETOs have a limited life span and will expire. Their time value falls as they approach their expiry date, and they are worth nothing after they expire (if unexercised). Accordingly, buyers of ETOs should actively manage their open positions, particularly as expiry dates approach;</li><li>• We feel that the trading in LEPOs is not suitable for retail clients and as such we do not allow retail clients to trade LEPOs.</li></ul>

	<ul style="list-style-type: none"> <li>• Sellers of options are exposed to potential margin calls, which may require cash or other assets to be lodged at short notice; and</li> <li>• 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. Because of the high risks of selling uncovered call and put options this strategy is not permitted.</li> </ul> <p>It should also be noted that under the ASX Clear Operating Rules (<b>Rules</b>) (paragraph 5.3 of Schedule 5), a client wishing to trade in ETOs is required to acknowledge that:</p> <ul style="list-style-type: none"> <li>• they have read and understood the documents (if any) given to them under Rule 7.1.1(b) of the Rules;</li> <li>• dealing in derivatives incurs a risk of loss as well as a potential for profit; and</li> <li>• they have given consideration to its objectives, financial situation and needs and formed the opinion that dealing in derivatives is suitable for their purposes.</li> </ul>
<p><b>Retail 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:</p> <ul style="list-style-type: none"> <li>• Retail clients who do not understand the risks of ETOs as applicable to their proposed trading; and</li> <li>• Retail clients who cannot bear the consequences of potential losses without material impact on their standard of living; and</li> <li>• Those clients that the Risk Officer deems are not suitable to trade in ETOs.</li> </ul>
<p><b>Target Market for ETOs (s994B(5)(b))</b></p>	<p>Given the diverse nature of different ETO strategies, we consider that the target market for ETOs is a retail client that falls within one (or more) of the below categories, noting there may also be some overlap between categories:</p> <ul style="list-style-type: none"> <li>• <b>High Risk Tolerance Investors</b> – retail clients seeking to make profit via speculation in ETOs;</li> <li>• <b>Risk Mitigation Investors</b> – retail 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>• <b>Premium Generation Investors</b> – retail clients seeking to earn income by selling options covered by holdings of underlying assets.</li> </ul> <p>Note it is not necessary for a client to fall within all three categories; it is sufficient for a retail client to fall within one of the above categories to be within the target market for ETOs.</p>
<p><b>Likely objectives, financial situation and needs of retail clients in the target market</b></p>	<ul style="list-style-type: none"> <li>• <b>High Risk Tolerance Investors</b> are retail clients likely to have a higher risk appetite and who are seeking higher returns through riskier strategies and are prepared to suffer material losses (and able to withstand such losses).</li> <li>• <u>Likely objectives:</u> Use existing assets to support leverage in order to seek higher returns with corresponding higher risk.</li> <li>• <u>Likely financial situation:</u> 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 good understanding of ETOs and trading strategies.</li> <li>• <u>Likely needs:</u> Wish to use spare capital to make enhanced returns</li> </ul> <p><b>Risk Mitigation Investors</b> are retail 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>• <u>Likely objectives</u>: Protect previous gains or mitigate against potential future losses and/or lower the cost of acquiring underlying assets.</li> <li>• <u>Likely financial situation</u>: Have existing investments or exposures which the retail client wishes to hedge.</li> <li>• <u>Likely needs</u>: Loss or profit protection.</li> </ul> <p><b>Premium Generation Investors</b> are likely to be retail clients with a moderate risk appetite who are looking to increase their yield but prepared to have the options exercised against them.</p> <ul style="list-style-type: none"> <li>• <u>Likely objectives</u>: Increase their income return.</li> <li>• <u>Likely financial situation</u>: Hold existing positions in underlying stocks. Require a regular income. Are able to address capital gains tax position if ETOs sold by the retail client are exercised against.</li> <li>• <u>Likely needs</u>: Increase income return.</li> </ul>
<p><b>Different ETO strategies</b></p>	<p>We expect <b>High Risk Tolerance Investors</b> will be likely to engage in the following strategies:</p> <ul style="list-style-type: none"> <li>• Buying call options and put options (noting that these financial products, of themselves, may not be particularly high risk depending upon the circumstances) (<b>Level 1 ETOs</b>); and</li> <li>• Selling covered call options (<b>Level 2 ETOs</b>).</li> </ul> <p>We expect <b>Risk Mitigation Investors</b> will be likely trading in <b>Level 1 ETOs</b>.</p> <p>We expect <b>Premium Generation Investors</b> will be likely trading in <b>Level 2 ETOs</b>.</p> <p>Finally, we consider that the target market for ETOs includes any retail client for whom open ETO position are being closed out at any time (whether on the instruction of the retail client, due to the exercise of rights by the us, by action of ASX group, or otherwise), even if that retail 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 (s994B(8))</b></p>	<p>We expect that <b>Level 1 and 2 ETOs</b> will likely be consistent with the likely objectives, financial situation and needs of <b>High Risk Tolerance Investors</b> because these products offer the potential for enhanced returns, and this class of retail client should be able to bear any potential losses without material hardship.</p> <p>We expect that <b>Level 1 ETOs</b> will likely be consistent with the likely objectives, financial situation and needs of <b>Risk Mitigation Investors</b> 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 <b>Level 2 ETOs</b> will likely be consistent with the likely objectives, financial situation and needs of <b>Premium Investors</b> because these products offer the potential for increased income, and this class of retail client should be able to bear any consequences of their ETOs being exercised against without material hardship.</p>
<p><b>Distribution Conditions (s994B(5)(c))</b></p>	<p>No third party distributor is permitted to distribute ETOs issued by us to retail clients unless the distributor considers on reasonable grounds that each relevant retail client is likely to be within the target market.</p> <p>Any distribution of ETOs by us directly to retail clients will be in accordance with procedures we determine are reasonably likely to ensure that ETOs are only issued to retail clients who are reasonably likely to be within the target market.</p>

<p><b>Review Triggers (s994B(5)(d))</b></p>	<p>The review triggers that may suggest that the TMD is no longer appropriate, such that a review of the TMD should be undertaken, include:</p> <ul style="list-style-type: none"> <li>• We become aware of a significant issuance of the product to retail clients outside the target market;</li> <li>• Material changes to the ETO product construct by ASX group;</li> <li>• Material changes to law affecting ETOs; and</li> <li>• We become aware of a significant volume of complaints from retail clients.</li> </ul>														
<p><b>Review Periods (s994B(5)(e), (f))</b></p>	<p>This TMD must be reviewed every 24 months from the start date of this Target Market Determination and more frequently if a review trigger occurs.</p> <p><b>First review date:</b> by 5 October 2023</p> <p><b>Review period (ongoing):</b> Every 24 months from the start of this Target Market Determination.</p>														
<p><b>Distributor Reporting Requirements (s994B(5)(g), (h))</b></p>	<p>The following information must be provided to us by distributors who engage in retail product distribution conduct in relation to this product:</p> <table border="1" data-bbox="426 757 1474 1384"> <thead> <tr> <th data-bbox="426 757 767 801">Type of information</th> <th data-bbox="772 757 1118 801">Description</th> <th data-bbox="1123 757 1474 801">Reporting period</th> </tr> </thead> <tbody> <tr> <td data-bbox="426 808 767 954">Complaints relating to the product design, availability and distribution.</td> <td data-bbox="772 808 1118 954">Number and nature of complaints</td> <td data-bbox="1123 808 1474 954">Quarterly within 10 business days following the end of each calendar quarter</td> </tr> <tr> <td data-bbox="426 960 767 1140">Significant dealing(s) outside the target market</td> <td data-bbox="772 960 1118 1140">Date range of the significant dealing(s) and description of the extent and nature of the significant dealing</td> <td data-bbox="1123 960 1474 1140">As soon as practicable, and in any case within 10 business days after becoming aware</td> </tr> <tr> <td data-bbox="426 1146 767 1384">Report on each acquisition outside of the target market including why the acquisition occurred as a result of personal advice</td> <td data-bbox="772 1146 1118 1384">Client type, advice basis</td> <td data-bbox="1123 1146 1474 1384">Quarterly within 10 business days following the end of each calendar quarter</td> </tr> </tbody> </table> <p>Distributors must report to the product issuer by email to: <a href="mailto:ddo@ords.com.au">ddo@ords.com.au</a></p>			Type of information	Description	Reporting period	Complaints relating to the product design, availability and distribution.	Number and nature of complaints	Quarterly within 10 business days following the end of each calendar quarter	Significant dealing(s) outside the target market	Date range of the significant dealing(s) and description of the extent and nature of the significant dealing	As soon as practicable, and in any case within 10 business days after becoming aware	Report on each acquisition outside of the target market including why the acquisition occurred as a result of personal advice	Client type, advice basis	Quarterly within 10 business days following the end of each calendar quarter
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