

1 April 2010



## **Product Disclosure Statement**

## **Exchange-Traded Derivatives**

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## 1. Important Information

This Product Disclosure Statement (“PDS”) has been prepared by Aliom Pty Limited ACN 123 876 291 (“Aliom”), in accordance with the financial product disclosure requirements under the *Corporations Act 2001* (Cth) (“Corporations Act”).

The date of this PDS is 1 April 2010.

This PDS has not been lodged with the Australian Securities and Investments Commission (“ASIC”) or ASX Limited (“ASX”) and is not required by the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the contents of this PDS.

The information in this PDS does not take into account your investment objectives, financial situation and particular needs. Aliom does not guarantee the performance of any exchange-traded derivatives (“Exchange-Traded Derivatives”) contract entered into by you. Nothing contained in this PDS constitutes the giving of general or personal financial product advice or a recommendation concerning the entry into any Exchange-Traded Derivatives transactions. Before making a decision whether to enter into an Exchange-Traded Derivatives contract, Aliom strongly recommends that you obtain your own legal, tax and investment advice, taking into account your particular needs and financial circumstances.

The offer made in this PDS is only available to persons receiving it (electronically or otherwise) in Australia. Should you receive any part of this PDS outside Australia, it does not constitute an offer or invitation in relation to Exchange-Traded Derivatives contracts in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Distribution of any part of this PDS in jurisdictions outside Australia may be restricted by law. Persons outside Australia in possession of any part of this PDS should seek further advice as it may be unlawful for such persons to participate in the offer which is the subject of this PDS. Aliom reserves the right to reject investors whom it considers cannot participate in the offer the subject of this PDS or whom it may be unlawful for it to accept as a client.

The information in this PDS is subject to change from time to time and is up to date at the date stated on the cover. Where new information is materially adverse information Aliom will issue either a new PDS or a supplementary PDS setting out the updated information.

Where the new information is not materially adverse information Aliom will not issue a new or supplementary PDS, but you will be able to find the updated information on our website [www.aliomonline.com.au](http://www.aliomonline.com.au) or request a paper copy of the updated information without charge by calling Aliom on +612 8246 8500. You may also request a paper copy of this PDS from Aliom.

All monetary amounts expressed in this PDS are in AUD, unless specifically expressed to the contrary.

## 2. Introduction

### Purpose of a Product Disclosure Statement

This PDS is an important legal document setting out information about Exchange-Traded Derivatives transactions which may be entered into between you and Aliom.

The information in this PDS should assist you to:

- decide if the product meets your needs; and
- compare the product with similar products.

If you intend to apply to use any of the products described in this PDS, please read this PDS thoroughly, then keep it, together with all other documentation which you receive from Aliom in connection with Exchange-Traded Derivatives transactions, for future reference.

### Product Issuer Details

This PDS is issued by Aliom Pty Limited. Aliom is the holder of Australian Financial Services Licence (“AFSL”) Number 323182.

If you have any questions or need more information, please contact Aliom:

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Additional information about Aliom is also available at [www.aliomonline.com.au](http://www.aliomonline.com.au)



### 3. Summary of key issues when dealing in Exchange-Traded Derivatives with Aliom

The table set out below provides a summary only of the key features and characteristics involved in dealing in Exchange-Traded Derivatives. In addition to this summary, you should ensure you have read and understood the contents of this PDS, the Client Agreement and Aliom’s FSG.

Before opening an Account and/or proceeding to trade, Aliom strongly recommends that you obtain independent financial, legal, taxation and other professional advice.

Issue	Summary	For more detail
<p><b>What is an Exchange-Traded Derivative?</b></p>	<p>A derivative contract that is traded on a Derivatives Exchange is referred to in this PDS as an Exchange-Traded Derivative. These may be categorised into the following types:</p> <ul style="list-style-type: none"> <li>• Futures contracts (both deliverable and cash-settled) (<b>Exchange-Traded Futures Contracts</b>) – these are agreements to buy or sell an underlying financial instrument, security, index or commodity (the <b>Underlying Financial Instrument</b>) at a specified time in the future;</li> <li>• Futures options (<b>Exchange-Traded Futures Options</b>) - these are options over an Exchange-Traded Futures Contract;</li> <li>• Exchange-traded options (<b>Exchange-Traded Options</b>) – these are options over an Underlying Financial Instrument.</li> </ul>	<p>See Sections 4 and 12</p>
<p><b>What charges are payable when dealing in Exchange-Traded Derivatives?</b></p>	<p>The common fees and charges when dealing in Exchange-Traded Derivatives may incorporate any or all of the following:</p> <ul style="list-style-type: none"> <li>• Brokerage on executed trades;</li> <li>• Derivatives Exchange fees;</li> <li>• Interest charges applied to debit balances in your Account; and</li> <li>• Administration Charges.</li> </ul>	<p>See Section 11</p>
<p><b>How do I open an Account?</b></p>	<p>Read this PDS, the Client Agreement and our FSG, and sign the Client Agreement.</p> <p>You may obtain these documents by:</p> <ul style="list-style-type: none"> <li>• telephoning Aliom +612 8246 8500; or</li> <li>• going to Aliom’s website at <a href="http://www.aliom.com.au">www.aliom.com.au</a>.</li> </ul>	<p>See Section 9</p>
<p><b>What is the minimum balance to open an Account?</b></p>	<p>AUD5,000.</p>	<p>See Section 9</p>
<p><b>How do I deal in Exchange-Traded Derivatives with Aliom?</b></p>	<p>You may place orders to deal in Exchange-Traded Derivatives in two ways:</p> <ul style="list-style-type: none"> <li>• telephone (calls will be recorded); or</li> <li>• in writing (including email or facsimile, where agreed).</li> </ul>	<p>See Section 10</p>
<p><b>How does Aliom deal with my money?</b></p>	<p>Moneys which you deposit with Aliom will be regulated by the Corporations Act.</p>	<p>See Section 12</p>
<p><b>Do I receive interest on moneys held in my Account or pay interest on moneys that I owe to Aliom?</b></p>	<p>Interest will not be paid on credit (positive) balances in your Account.</p> <p>Aliom will charge interest on any debit (negative) balances in your Account.</p>	<p>See Section 11</p>
<p><b>What are the risks of Exchange-Traded Derivatives?</b></p>	<p>Exchange-Traded Derivatives are speculative products that are leveraged and carry significantly greater risk than non-gearred investments such as share trading. <b>You may incur losses to the</b></p>	<p>See Section 8</p>



Issue	Summary	For more detail
	<p><b>extent of your total exposure and any additional fees and charges that apply. These losses may be greater than the money that you have deposited into your Account or are required to deposit to satisfy margin requirements.</b></p> <p>You should obtain your own <b>independent financial, legal, taxation and other professional advice</b> as to whether CFDs are an appropriate investment for you.</p>	
<p><b>What procedures are in place to deal with client complaints?</b></p>	<p>Aliom provides a complaints handling and dispute resolution process for its clients and is a member of the Financial Ombudsman Service (<b>FOS</b>), an external complaints resolution body.</p>	<p>See Section 13</p>
<p><b>What are the taxation implications of dealing in Exchange-Traded Derivatives?</b></p>	<p>The taxation consequences of dealing in Exchange-Traded Derivatives depend on your personal circumstances. You should seek advice from your tax adviser before you deal in any Exchange-Traded Derivatives.</p>	

## 4. Significant Features of Exchange-Traded Derivatives

### What are Exchange-Traded Derivatives?

Exchange-Traded Derivatives may be categorised into the following types:

- Exchange-Traded Futures Contracts;
- Exchange-Traded Futures Options; and
- Exchange-Traded Options.

An Exchange-Traded Futures Contract is an agreement, traded on a Derivatives Exchange, to buy or sell an Underlying Financial Instrument (being a financial instrument, security, index or a commodity of a given grade or quality) at a specified time in the future. The parties to an Exchange-Traded Futures Contract may be required to deliver or take delivery of the Underlying Financial Instrument at the time specified in the contract, where the contract provides for this. Alternatively, the contract may provide for a cash adjustment to be made, based on a change in the price of the Underlying Financial Instrument.

An Exchange-Traded Futures Option is an option over an Exchange-Traded Futures Contract.

An Exchange-Traded Option is an option over an Underlying Financial Instrument.

### Duration of Exchange-Traded Derivatives

Exchange-Traded Derivatives may be made for periods of up to several years in the future. Part of the standardisation of Exchange-Traded Derivatives is that the contract maturity dates follow a pre-determined cycle (standardisation is discussed in the next section). For example, in the SPI-200® contract traded on the Sydney Futures Exchange (SFE), contracts can be made for settlement only in March, June, September or December, but for up to 18 months from the time of the trade.

### Exchange-Traded Derivatives are standardised

Derivatives traded on a Derivatives Exchange are standardised and interchangeable, meaning that Exchange-Traded Derivatives of a particular class are perfect substitutes for each other.

A consequence of contract standardisation is that the price is the only factor that remains to be determined in the marketplace. On the SFE and ASX, Exchange-Traded Derivatives are quoted and traded on an electronic trading platform, which provides a system of continuous price discovery. This means that the price at which trades take place may continually change throughout a trading session. Most international Derivatives Exchanges also provide electronic trading platforms for Derivatives trading.

Since all Exchange-Traded Derivatives contracts for a given future month in the same market are interchangeable, they can be closed out by taking an opposite position in the same contract. If you have bought a given Exchange-Traded Derivative contract you can therefore cancel the position by selling the same contract. The net result is that you no longer hold a position. Similarly, if you have sold a given Exchange-Traded Derivative contract, you can cancel the position by buying the same contract.



In each case there will be a profit or loss equal to the difference between the buying and selling prices multiplied by the standard contract amount – minus any transaction costs. In practice, the vast majority of Exchange-Traded Derivatives contracts are offset in this manner ahead of the contract maturity date, the remainder being fulfilled by delivery or cash settlement at maturity.

**The role of the Clearing house**

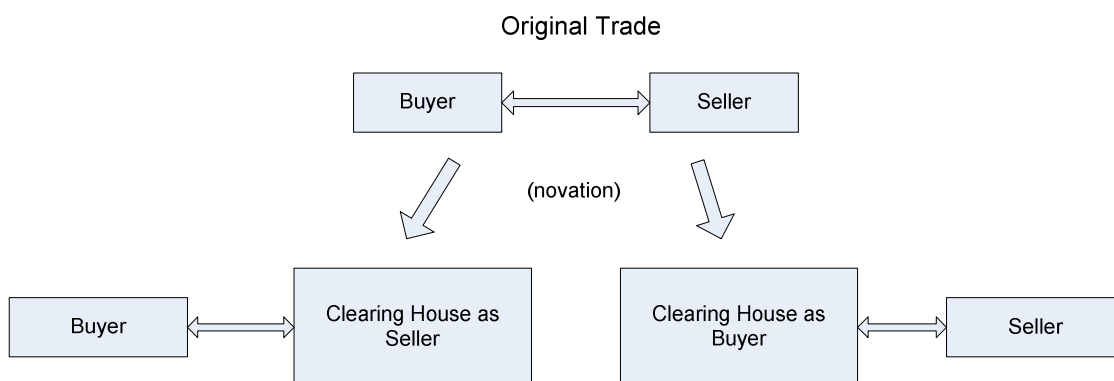
Derivatives Exchanges will generally have a Clearing House. Clearing Houses clear and settle Exchange-Traded Derivatives contracts executed on the Derivatives Exchange. The primary role of the Clearing House is to guarantee the settlement of obligations arising under the Exchange-Traded Derivatives contracts registered with it. This means that when Aliom buys or sells an Exchange-Traded Derivatives contract on your behalf, neither you nor Aliom needs to be concerned with the credit worthiness of the party taking the other side of the contract. See below for further discussion on the novation process that occurs at the Clearing House.

The Clearing House will never deal directly with you. Rather the Clearing House will only ever deal with Clearing Participants – that is Aliom’s Clearing Participant.

The SFE’s Clearing House is SFE Clearing Corporation. The ASX’s Clearing House is Australian Clearing House (ACH).

When an Exchange-Traded Derivatives contract is registered with the Clearing House, it is novated. This means that the contract between the two brokers who made the trade is replaced by one contract between the buying broker (or its Clearing Participant) and the Clearing House as seller; and one contract between the selling broker (or its Clearing Participant) and the Clearing House as buyer.

In simple terms, the Clearing House becomes the buyer to the selling broker, and the seller to the buying broker.



The Clearing House ensures that it is able to meet its obligation to Clearing Participants by calling Initial Margins (also known as a deposit), and Variation Margin (sometimes referred to as additional deposit or additional margin), to cover any unrealised losses in the market. See Section 5 for further information on margins.

Generally your Exchange-Traded Derivatives contracts (and those of Aliom’s other clients) will be held separately from Exchange-Traded Derivatives contracts entered into by Aliom on its own account. If Aliom were to default on its obligations in respect of its own Exchange-Traded Derivatives contracts, your Exchange-Traded Derivatives contracts will not be used to meet Aliom’s default. Rather the Clearing House will either close out your Exchange-Traded Derivatives contracts or attempt to transfer them to another broker.

**Closing out**

Because of the system of registration and novation referred to above, closing out can be achieved without going back to the original party with whom the Exchange-Traded Derivatives contract was traded.

When an existing buyer sells to close out their position, the sale transaction is registered with the Clearing House in the manner described above.

**Example**

<b>First trade</b>	A sells to B at \$100 per unit
<b>Novation</b>	Clearing House is now buyer to A and seller to B
<b>Second trade</b>	B sells to C at \$120 per unit
<b>Novation</b>	Clearing House is now buyer to B and seller to C

The contracts which B held (one to buy and one to sell) have been settled in cash between B and the Clearing House; B simply receives the net profit. Any profit due to B is paid out by the Clearing House in cash, even though the original seller (A) remains in the market.



## **Exchange-Traded Futures Contracts**

There are two main types of Exchange-Traded Futures Contracts:

- Deliverable Exchange-Traded Futures Contracts – where the seller agrees to deliver to the buyer, and the buyer agrees to take delivery of, the quantity of the Underlying Financial Instrument described in the contract.
- Cash settled Exchange-Traded Futures Contracts – where the two parties make a cash adjustment between them according to whether the price of an Underlying Financial Instrument has risen or fallen since the time the arrangement was made.

Deliverable Exchange-Traded Futures Contracts may be closed out before expiry to ensure you are not obliged to take delivery of the Underlying Financial Instrument on the contract maturity date. Unless you plan to make or take delivery of the Underlying Financial Instrument, it is not advisable to enter into Deliverable Exchange-Traded Futures Contracts in the last weeks before maturity. If you intend to make or take delivery, first check with your Aliom representative.

The terms of all Exchange-Traded Futures Contracts are generally set out in the Operating Rules of the Derivatives Exchange on which the contract was made, which might be in Australia or overseas. This document is intended to apply to any Exchange-Traded Futures Contracts traded on a computer based exchange unless otherwise indicated. There may, however, be differences in procedure and regulation of markets from one country to another and one Derivatives Exchange to another. You will need to understand how this affects you. It is therefore important that you ask your Aliom representative for information about any overseas Derivatives Exchange on which you wish to trade. See also Section 7 below for more information.

## **Exchange-Traded Futures Options and Exchange-Traded Options**

### **What is an option?**

Option contracts traded over Exchange-Traded Futures Contracts are commonly known as Exchange-Traded Futures Options. These are the most common type of option traded on a Derivatives Exchange. Exchange-Traded Options are less common. The Cash Settled Intraday Options over the SFE SPI 200® and Eurex DAX® options are examples of Exchange-Traded Options.

It is important to distinguish between Exchange-Traded Futures Options and Exchange-Traded Options. If an Exchange-Traded Futures Option is exercised it results in the establishment of an Exchange-Traded Futures Contract. If an Exchange-Traded Option is exercised, it results in the transfer of the actual Underlying Financial Instrument underlying the option (in the case of deliverable contracts), or a cash adjustment (in the case of cash settled contracts).

Following is an explanation of the nature of an Exchange-Traded Futures Option contract and of the obligations assumed by option traders. Several concepts referred to previously are applicable to Exchange-Traded Futures Options (for example, the concept of closing out). These facts will not be repeated, rather only the facts particular to Exchange-Traded Futures Options are discussed.

- The buyer of an Exchange-Traded Futures Option has the right, but not the obligation, to enter into an Exchange-Traded Futures Contract (a bought position in the case of a Call Option, and a sold position in the case of a Put Option), at the Exercise Price of the Exchange-Traded Futures Option. For this right, the buyer pays the option seller the Option Premium.
- The seller of an Exchange-Traded Futures Option assumes the obligation to enter into an Exchange-Traded Futures Contract (a sold position in the case of a Call Option, and a bought position in the case of a Put Option), at the Exercise Price of the Exchange-Traded Futures Option if the option is validly exercised. For taking on this obligation, the seller receives the Option Premium.

Like Exchange-Traded Futures Contracts, options are standardised and interchangeable, so that having bought or sold an option it is possible to close it out before its expiry or exercise.

The following matters can apply both to Exchange-Traded Futures Options and to Exchange-Traded Options. However the discussion will centre on Exchange-Traded Futures Options as these are the most common options traded on a Derivatives Exchange. If you are considering the following matters in the context of an Exchange-Traded Option, references to an Exchange-Traded Futures Contract should instead be read as the Underlying Financial Instrument.

### **European Options & American Options**

An option will be expressed to be either a European style option or an American style option.

- European Options can be exercised only on the Expiry Date, not before.
- American Options can be exercised at any time up to and including the Expiry Date.



The majority of options traded on the ASX and SFE are American Options. Because American Options can be exercised at any time before the Expiry Date, the seller of an option must be prepared for that option to be exercised at any time. The decision to exercise an option is in the option buyer’s hands.

**Call Options & Put Options**

A Call Option gives the buyer the right to buy an Exchange-Traded Futures Contract at a designated price at or before the Expiry Date. The seller of a Call Option has the obligation to sell an Exchange-Traded Futures Contract if the Futures Option is exercised by the buyer.

A Put Option gives the buyer the right to sell an Exchange-Traded Futures Contract at the Exercise Price. The seller of a Put Option has the obligation to purchase the Exchange-Traded Futures Contract if the Put Option is exercised by the buyer.

**Exercising Call Options & Put Options**

The table below sets out the results from the buyer’s and seller’s viewpoint when the buyer exercises an Exchange-Traded Futures Call Option or Exchange-Traded Futures Put Option:

**Example**

Buyer Exercises		Effect on Seller	
Bought Call Option ->	Bought Futures (at the Exercise Price of the option)	Sold Call Option - >	Sold Futures (at the Exercise Price of the option)
Bought Put Option ->	Sold Futures (at the Exercise Price of the option)	Sold Put Option ->	Bought Futures (at the Exercise Price of the option)

**More information**

Information concerning international Derivatives Exchanges and the types of Exchange-Traded Derivatives traded on those Derivatives Exchanges can be found by visiting the relevant Derivatives Exchange’s website. Please contact Aliom if you require any further information on international Exchange-Traded Derivatives.

For further information concerning Exchange-Traded Derivatives traded on the ASX and the SFE you should refer to the ASX website at [www.asx.com.au](http://www.asx.com.au), where brochures regarding the various Exchange-Traded Derivatives can be downloaded.

For a list of the main Derivatives Exchange websites where contract specifications for Exchange-Traded Derivatives are located, please visit [www.aliom.com.au](http://www.aliom.com.au). If you do not have access to the Internet, or you wish to trade on other Derivatives Exchanges, please contact Aliom and we will forward the specific contract specifications to you free of charge.

**5. Financial Aspects of Trading Exchange-Traded Futures Contracts**

**Initial Margin**

An Initial Margin must be paid when you enter into an Exchange-Traded Futures Contract to protect the financial security of both Aliom and the Clearing House.

Minimum Initial Margins are set by the Clearing House or the relevant Derivatives Exchange or both, and may vary from time to time according to the volatility of the market. This means that an Initial Margin may change after a position has been opened, requiring you to make a further payment (or receive a refund).

Participants of the Derivatives Exchange are generally required under the Operating Rules of the Derivatives Exchange to call an Initial Margin on each trade equal to at least the minimum Initial Margin set by the Clearing House.

Initial Margins are calculated to cover the maximum expected movement in the market from one day to the next. A broker is entitled to call a higher Initial Margin than the minimum set. Liability for Initial Margin occurs at the time of the trade and Aliom may require you to pay the Initial Margin before any trading is conducted on your behalf.

**Variation Margin**

Variation Margin must be paid if your Exchange-Traded Futures Contract is showing a loss; i.e. if the market falls after a purchase or rises after a sale. You can incur losses before an Exchange-Traded Futures Contract is closed out, if the market moves against your position. Futures positions are re-valued on a daily basis, and any deterioration in your position will result in Variation Margin being called.

Variation Margins are also paid to you if your Exchange-Traded Futures Contract shows a profit.

**Example**

The Initial Margin payable per SFE SPI 200® Index Futures Contracts is \$10,000. The contracts are valued at \$25 per index point.

In the below example, the Initial Margin amount is \$10,000 (this is set by the Clearing House). On day 1, the market moves against you and you are therefore required to pay \$3,175 in a Variation Margin Call. On day 2, the market moves in your



favour and you receive a Variation Margin amount of \$5,625. On day 3 you decide to close out your contract, as the market is moving against you again. You close out at 3,550 which means that you are required to pay a further Variation Margin of \$1,250.

Once the position has been closed out, the Initial Margin of \$10,000 is returned to you. Your net Variation Margin profit (in this case \$1,200) is realised.

	Trade	Market Closing Price	Initial Margin	Variation Margin
<b>Day One</b>	Buy 1 contract at 3,500	3,375 points	\$10,000 payable	-125 points x \$25 = \$3,175 payable
<b>Day Two</b>		3,600 points		+225 points x \$25 = \$5,625 receivable
<b>Day Three</b>	Sell 1 contract at 3,550		\$10,000 receivable	-50 points x \$25 = \$1,250 payable

**Liability**

Given the above margin requirements, your liability under an Exchange-Traded Futures Contract is not limited to the Initial Margin.

- If, after paying the Initial Margin, the price moves against you, further margin (Variation Margin) will be called.
- The Initial Margin (unless eroded by losses) will be returned to you on settlement of the contract.
- Variation Margins that become realised losses when the position is closed out or settled are not refundable.
- Variation Margins covering unrealised losses are not refundable unless there is a favourable change of direction in market prices before settlement or closing out of the Futures Contract.

**Consequences of failure to pay margins**

Initial Margin and Variation Margin must be paid immediately after a Margin Call. If you do not pay a Margin Call, Aliom may close out your position and deduct the resulting realised loss from the Initial Margin. If the realised loss exceeds the Initial Margin you will be required to pay the excess to Aliom.

Derivatives markets can be highly volatile and you should ensure that you can always be contacted by Aliom. If Aliom is unable to contact you to call for a required margin, we may close out your Exchange-Traded Futures Contracts without actually speaking to you.

**Profit & loss when trading Exchange-Traded Futures Contracts**

The table below sets out profit and loss situations when trading Exchange-Traded Futures Contracts.

Profitable Trade	Losing Trades
Buy low – Sell high	Buy high – Sell low
Sell high – Buy low	Sell low – Buy high

**6. Financial Aspects of Trading Exchange-Traded Futures Options and Exchange-Traded Options**

The following matters can apply both to Exchange-Traded Futures Options and to Exchange-Traded Options. However the discussion will centre on Exchange-Traded Futures Options as these are the most common options traded on a Derivatives Exchange. If you are considering the following matters in the context of an Exchange-Traded Option, references to an Exchange-Traded Futures Contract should instead be read as the Underlying Financial Instrument.

**Margins & liability on Options**

- If you buy an Exchange-Traded Futures Option, your loss is limited to the Option Premium which you paid. The Option Premium is non-refundable.
- If you buy an Exchange-Traded Futures Option, and pay the full Option Premium at the time the Exchange-Traded Futures Option is entered into, you will not be called upon to pay an Initial Margin or Variation Margins throughout the term of the Option. However, if you pay only an initial deposit, you may be called upon to pay Variation Margins up to the full value of the Option Premium (but no more).
- If you sell an Exchange-Traded Futures Option, you have a similar liability to that of a holder of the underlying Exchange-Traded Futures Contract - that is, potentially unlimited. However, you have limited profit potential, as you cannot earn more than the Option Premium for each Exchange-Traded Futures Option sold.



### Profit & loss when trading Options

The table below sets out profit and loss situations when trading Call Options and Put Options. It sets out the levels of the underlying Exchange-Traded Futures Contract at the time of opening and closing the Exchange-Traded Futures Option trade that will be favourable and unfavourable for the four basic option strategies.

Option trading is a complex area, and an option trader can suffer losses even if the price of the Underlying Financial Instrument (in this case an Exchange-Traded Futures Contract) moves favourably.

Strategy	Profitable Trades		Unprofitable Trades	
	Futures price – opening trade	Futures price – closing trade	Futures price – opening trade	Futures price – closing trade
<b>Bought Call</b>	Low	High	High	Same or lower
<b>Bought put</b>	High	Low	Low	Same or higher
<b>Sold Call</b>	High	Same or lower	Low	High
<b>Sold put</b>	Low	Same or higher	High	Low

### Out of the Money Options

"Out of the Money" is a term used to describe an Exchange-Traded Futures Option that cannot be exercised at a profit. An Out-of-the-Money Exchange-Traded Futures Option is a Call Option whose Exercise Price is higher than the current market level or a Put Option whose Exercise Price is below market.

If you are contemplating purchasing a Exchange-Traded Futures Option that is significantly out-of-the-money, you should be aware that the chance of such an option becoming profitable at expiry may be remote.

## 7. Benefits of Exchange-Traded Derivatives

There are a number of benefits in trading Exchange-Traded Derivatives. These include the following.

- **Standardisation:** As discussed in Section 4, because Exchange-Traded Derivatives are standardised and therefore interchangeable, you may open and close positions through the Derivatives Exchange, depending on the liquidity of the market in the relevant contract.
- **Risk Management:** Through the processes of novation and margining, the Clearing House assumes and manages the risk of Exchange-Traded Derivatives positions entered into on the Derivatives Exchange. This reduces counterparty risk in a way which is not available in over-the-counter (OTC) derivatives transactions. Aliom has certainty that the other side of the Exchange-Traded Derivatives contract will be honoured, and they (and therefore you) will not be subject to risk that the counterparty to the original Exchange-Traded Derivatives contract may default in their obligations under the Exchange-Traded Derivatives contract.
- **Hedging:** You can use Exchange-Traded Derivatives to hedge exposure in the Underlying Financial Instrument.
- **Speculation:** You can use Exchange-Traded Derivatives to speculate on market movements. Exchange-Traded Derivatives allow you to gain exposure to a particular Underlying Financial Instrument without the need to buy or sell the underlying itself.
- **Range of market positions and strategies:** You can potentially profit both from rising and from falling markets depending on the strategy you have employed. Through the use of Exchange-Traded Derivatives, strategies can be tailored to suit almost any market view.
- **Leverage:** Exchange-Traded Derivatives generally involve a high degree of leverage. Exchange-Traded Derivatives enable you to outlay a relatively small amount of money (in the form of Initial Margin) to secure an exposure to the Underlying Financial Instrument.

For example, assume you have a positive view about the prospects of XYZ Ltd. You can either buy 1,000 XYZ Ltd shares at \$10.00 and pay your broker \$10,000 (plus costs) or you could buy an Exchange-Traded Futures Contract over 1,000 XYZ Ltd shares and pay an Initial Margin at the time the Exchange-Traded Futures Contract is entered (which is likely to be a small percentage of the contract value (plus costs)).

The same amount of exposure to the underlying shares has been achieved, but for a much smaller outlay. Given a movement in the price of XYZ shares, the percentage returns (positive or negative) from the Exchange-Traded Derivatives strategy are likely to be much higher.

Assume the Exchange-Traded Futures Contract price is \$10.10, and the Initial Margin payable on the above Futures position is 10%. Each contract covers 1000 shares. The following table compares the returns, assuming that the XYZ share price rises to \$11.00 by maturity (transaction costs are ignored).



	Shares	Exchange-Traded Futures Contract
<b>Opening Trade</b>	Share price \$10.00 Buy 1,000 shares @ \$10.00 = \$10,000	Futures price \$10.10 Buy 1 Futures contract @ \$10.10 Pay 10% Initial Margin = \$1,010
<b>Maturity</b>	Share price \$11.00 Sell 1,000 shares @ \$11.00 = \$11,000	Futures price \$11.00 Sell 1 Futures contract @ \$11.00
<b>Profit</b>	\$1.00 x 1,000 = \$1,000	\$0.90 x 1,000 = \$900
<b>Percentage return</b>	10%	89%

The example provided is for illustrative purposes only and does not necessarily reflect the outcome of any actual trading in Exchange-Traded Derivatives in similar circumstances.

This leverage can work against you as well as for you. The use of leverage can lead to large losses as well as large gains. See Section 8 for further information on risks.

### 8. Risks of Exchange-Traded Derivatives

The risk of loss in trading in Exchange-Traded Derivatives can be substantial. You should carefully consider whether trading is appropriate for you in light of your financial circumstances, degree of financial knowledge and experience, situation and needs.

You should be aware of the following matters:

- (a) **Loss of Initial Margin:** You could sustain a total loss of the Initial Margin that you deposit with Aliom to establish or maintain an Exchange-Traded Derivatives contract.
- (b) **Payment of Variation Margin:** If the Exchange-Traded Derivatives market moves against your position, you may be required, at short notice, to deposit with Aliom Variation Margins in order to maintain your position. Those additional funds may be substantial. If you fail to provide those additional funds within the required time, your position may be liquidated at a loss and you will be liable for any shortfall in your Account resulting from that failure. Funding of Variation Margins must generally occur within 24 hours of the Margin Call, however, in times of extreme price volatility Variation Margins may be required to be paid within an hour.
- (c) **Losses beyond margin lodged:** You may sustain a total loss of the funds (Initial Margin and Variation Margins) that you deposit with Aliom to establish or maintain a position in the Exchange-Traded Derivatives market. You may incur losses beyond the amounts that you lodge with Aliom. You should not risk more funds than you can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.
- (d) **Leverage:** The high degree of leverage that is obtainable in trading Exchange-Traded Derivatives can work against you as well as for you. The use of leverage can lead to large losses as well as large gains.

Returning to the example of XYZ shares used previously, consider the result if the share price, instead of rising to \$11.00, fell to \$8.00 at maturity. The following table shows the results (transaction costs are ignored).

	Shares	Exchange-Traded Futures Contract
<b>Opening Trade</b>	Share price \$10.00 Buy 1,000 shares @ \$10.00 = \$10,000	Futures price \$10.10 Buy 1 Futures contract @ \$10.10 Pay 10% Initial Margin = \$1,010
<b>Maturity</b>	Share price \$8.00 Sell 1,000 shares @ \$8.00 = \$8,000	Futures price \$8.00 Sell 1 Futures contract @ \$8.00
<b>Profit</b>	\$2.00 x 1,000 = \$2,000	\$2.10 x 1,000 = \$2,100
<b>Percentage return</b>	-20%	-208%

Leverage has served to multiply the loss suffered in percentage terms.

- (e) **Liquidity:** Under certain market conditions, it could become difficult or impossible for you to close out a position, and the relationship between the prices of Exchange-Traded Derivatives contracts and the underlying market may be distorted or affected. Examples of when this may happen are:
  - i. if there is a significant change in the price of the Underlying Financial Instrument over a short period of time;
  - ii. if there are insufficient willing buyers and sellers in either the Exchange-Traded Derivatives market or the underlying market;
  - iii. if the Exchange-Traded Derivatives market is suspended or disrupted for any reason.



Similarly, events such as these in relation to the market for the Underlying Financial Instrument may make it difficult for you to hedge or maintain your exposure under an Exchange-Traded Derivatives contract.

- (f) **Deliverable contracts and physical delivery:** Where you have a position in a Deliverable Exchange-Traded Derivatives contract and you hold this open position to maturity, you must be prepared to make or take physical delivery of the Underlying Financial Instrument if your position is matched.
- (g) **Placing orders in a moving market:** The placing of contingent orders (such as a ‘stop-loss’ order, an order that becomes a Market Order (and hence executed) when the Derivatives Market reaches the designated price) may not always limit your losses to the amounts that you may want. Market conditions may make it impossible to execute such orders. For example, if the price of the Underlying Financial Instrument moves suddenly, your order may not be filled, or may be filled at a different price to that specified by you, and you may suffer losses as a result.
- (h) **Strategies:** A “spread” position (which involves the simultaneous purchase and sale of the same Exchange-Traded Derivatives contract for different delivery months) is not necessarily less risky than a simple “Long” or “Short” position.
- (i) **Options risk profile:** If you propose to trade in Exchange-Traded Futures Options or Exchange-Traded Options, the maximum loss in buying an option is the Option Premium paid, but the risks in selling an option are essentially unlimited.
- (j) **System failures:** You may experience losses due to Derivatives Exchange or Clearing House system failures which may affect systems used by Participants. Participant systems may also fail which means your trades may not be executed.
- (k) **Foreign exchange movements:** If you trade in Exchange-Traded Derivatives contracts denominated in currencies other than Australian dollars you may lose money due to exchange rate fluctuations. These losses may be in addition to any losses on the Exchange-Traded Derivatives contract itself.
- (l) **Market emergencies:** You may incur losses that are caused by matters outside Aliom’s control. For example, a regulatory authority exercising its powers during a market emergency may result in losses. A regulatory authority can, in extreme situations, suspend trading or alter the price at which a position is settled. This could also result in a loss.
- (m) **Market disruption:** A market disruption may mean that you are unable to deal in an Exchange-Traded Derivatives contract when desired, and you may suffer a loss as a result. Common examples of disruption include the “crash” of the Derivatives Exchange electronic trading system, fire or other Derivatives Exchange or Clearing House emergency.
- (n) **Discretionary powers of Exchange and Clearing House:** The Derivatives Exchange or Clearing House could exercise discretionary powers under their Operating Rules in relation to the market. They have powers to declare an undesirable situation has developed in a particular Exchange-Traded Derivatives contract and suspend trading.
- (o) **Disputes and trade cancellations:** When a trade is subject to dispute, the Derivatives Exchange may have powers to request that Participants amend or cancel a trade, which will in turn result in your Exchange-Traded Derivatives contracts being amended or cancelled. Derivative Exchanges may also exercise discretionary powers to cancel transactions under their Operating Rules. These actions can affect your Exchange-Traded Derivatives positions.
- (p) **Differing Derivatives Exchange rules:** You should be aware that when Aliom places an order for you on an overseas Derivatives Exchange, or clears a trade for you at an overseas Clearing House, that trade will be subject to the rules of the overseas Derivatives Exchange or Clearing House. These rules may differ significantly from the rules of Australian Derivatives Exchanges or Clearing Houses.

## 9. Opening an Account

Prior to dealing in Exchange-Traded Derivatives, you must read and understand our FSG, this PDS and the Client Agreement.

Before opening an Account, you must sign our Client Agreement. This is an important legal document containing the terms and conditions which govern our relationship with you. It is provided to you separately by Aliom.

We recommend that you consider seeking independent legal advice before entering into the Client Agreement, as the terms and conditions detailed in this agreement are important and affect your dealings with us.

You must complete, sign and return a Client Agreement, and have your application to open an Account approved by Aliom. Aliom may refuse to open an Account for any person.

All deposits are accounted for in AUD.



A minimum deposit of AUD5,000 is required in order to activate an Account. Please note that this amount may be varied from time to time. Aliom will provide you with written advice of any such variation.

## **10. Operating your Account**

### **Funding your Account**

You may transfer funds to us using any of the following methods:

- bank transfer;
- cheque.

When transferring funds to Aliom funds must be appropriately referenced with your Account number to ensure we can identify your funds and apply them to your Account promptly. All payments made to Aliom must be made free of any withholding tax or deduction.

Aliom will credit funds to your Account when the funds transferred to us have cleared.

Aliom will only accept funds transferred directly from you. We do not accept funds for the credit of your Account that have been transferred by third parties. You must ensure that all funds transferred to us are from the bank account you have nominated in your application. We may, in our absolute discretion, return any funds transferred or cheque received from a third party.

Aliom will not accept any liability or responsibility for any losses that you may suffer as a result of, or arising out of, or in connection with, us returning any transfer of funds or cheque payment.

### **Client Instructions, Statements & Confirmations**

Aliom accepts Exchange-Traded Derivatives transaction order instructions in any of the following ways:

- telephone (calls will be recorded); or
- in writing (including email or facsimile, where agreed).

When placing orders with us, it is your responsibility to ensure that any order instructions you provide to us have in fact been received by us.

### **Withdrawing Your Funds**

You may withdraw funds from your Account by sending us a withdrawal request by fax, email or post confirming the amount you wish to withdraw. Funds will only be paid to the bank account which you have nominated in your Application and will not be paid to the account of a third party, unless we agree otherwise at our discretion. You may only withdraw funds from your Account after your margin obligations have been met.

## **11. Fees and Charges**

### **Brokerage**

Aliom charges you brokerage on purchases and sales of Exchange-Traded Derivatives contracts executed for you. Our brokerage rates depend on the type and level of service required, the Derivatives Exchange upon which the purchase or sale will be conducted, the size of the transaction and the frequency of transactions. You will also have to pay GST on brokerage.

The standard brokerage that you will be charged per side varies between AUD0.22 and AUD55 (inclusive of GST) for purchases or sales conducted on Australian Derivatives Exchanges and between AUD0.22 and AUD55 (inclusive of GST) for purchases or sales conducted on foreign Derivatives Exchanges. However, rates may be negotiated between you and Aliom and are subject to change.

Your current rate as agreed between you and your Aliom representative will be outlined on your trade confirmation and daily account statement. The standard brokerage fee generally excludes any exchange fees that are payable. All brokerage charges are shown on your trade confirmations.

A worked example showing how brokerage is charged is set out below.

### **Derivatives Exchange Fees**

Fees charges by the Derivatives Exchange vary from exchange to exchange and can be found on that particular Derivative Exchange's website. A list of exchange websites can be found at [www.aliom.com.au](http://www.aliom.com.au).

Derivatives Exchange fees are charged for execution and Clearing of purchases and sales.

For more detailed information you should check the ASX fees and charges schedule at [www.asx.com.au](http://www.asx.com.au).



**Worked example**

An Exchange-Traded Derivatives transaction will be subject to a brokerage charge applied by Aliom to your Account as well as an Exchange Fee applied by the relevant Derivatives Exchange to your Account. In the example below, the Aliom brokerage is set at \$16.50 per contract (inclusive of GST) and the Exchange Fee is based on the ASX exchange fee of \$0.99 per contract (inclusive of GST).

Using the example from Section 7 – Benefits of Exchange-Traded Derivatives, brokerage and Exchange Fees would affect the transaction profit as follows:

	<b>Exchange-Traded Futures Contract</b>	<b>Brokerage &amp; Exchange Fees</b>
<b>Opening Trade</b>	Futures price \$10.10 Buy 1 Futures contract @ \$10.10	\$17.49 (\$16.50 + \$0.99)
<b>Closing Trade</b>	Futures price \$11.00 Sell 1 Futures contract @ \$11.00	\$17.49 (\$16.50 + \$0.99)
<b>Trade Profit</b>	\$0.90 x 1,000 = \$900	
<b>Net Profit after brokerage and Exchange Fees</b>	\$900 - \$34.98 = \$865.02	

**Interest**

**Credit balances**

Aliom will not pay you interest on any credit balance in your Account unless otherwise agreed.

**Debit balances**

You may be charged interest on any unpaid amounts in your Account. This interest will be charged to you on the full amount of the net Free Equity at such rates as Aliom is charged by its third party providers plus a margin, if any.

**Administration Charges**

Aliom may also charge fees for certain administrative services which may occur from time to time in the course of your dealings with us. Administrative services to which fees are applicable are outlined in the following table.

<b>Administrative Service</b>	<b>Fee (incl. GST)</b>
Withdrawal (same day value)	At bank rates
Provision of live data feed	At Derivatives Exchange rates as advised from time to time
Duplicate Statement	\$20 per statement

**Other Amounts**

In addition to brokerage, Derivatives Exchange fees and other charges as described above, margins and Option Premiums may also be payable. Please refer to Section 5 for more information about margins and Option Premiums.

**12. Other Significant Characteristics of Exchange-Traded Derivatives**

**Clients’ Segregated Money**

Funds deposited with Aliom for Exchange-Traded Derivatives trading are deposited into a clients’ segregated account in accordance with the requirements of the Corporations Act. Unless otherwise agreed with Aliom, you waive the right to any interest on funds deposited with Aliom. Money or property deposited with Aliom may only be invested according to the Corporations Act, and such investments are at your sole risk.

For money deposited in Aliom’s clients’ segregated account, you acknowledge that:

- individual client accounts are not separated from each other;
- all clients’ funds are deposited into the one clients’ segregated account;
- Clients’ segregated account provisions may not insulate any individual client’s funds from a default in Aliom’s clients’ segregated account. Such a default may arise from any client’s trading;
- assets in Aliom’s clients’ segregated account belonging to non-defaulting clients are potentially at risk, even though you did not cause the default;
- Aliom has the right to apply all clients’ money held in our clients’ segregated account to meet any default in that account; and



- the Clearing House has the right to apply all money in the Client Clearing Account to meet any liabilities in the Client Clearing Account.

**Dealings on foreign Derivative Exchanges**

If you deal on foreign Derivatives Exchanges you should be aware of the following matters:

**Dealing subject to foreign rules and laws**

The execution and Clearing of trades on foreign Derivatives Exchanges are subject to the rules of that Derivatives Exchange and the laws of the country in which that exchange is domiciled.

**Australian regulators may not have any jurisdiction**

Neither ASIC nor Australian Derivatives Exchanges regulate activities of foreign Derivatives Exchanges, nor do they have the power to compel enforcement of the operating rules of a foreign Derivatives Exchange or any applicable foreign laws. Generally, the foreign transaction will be governed by applicable foreign law. This is true even if the Derivatives Exchange is formally linked with a Derivatives Exchange in Australia.

**Protection of clients' funds**

If you trade on foreign Derivatives Exchanges you may not have the benefit of protective measures provided by the Corporations Act and the Operating Rules of Australian Derivatives Exchanges. In particular, your funds may not have the same protection as funds deposited in Australia in a clients' segregated account.

**Settlement**

If you have a Deliverable Exchange-Traded Futures Contract open at the close of trading on the last day of trading you will be under an obligation to deliver, or take delivery of and pay for, the Underlying Financial Instrument described in the specifications. If you wish to make or take delivery, first check with your Aliom representative.

If you have a Cash settled Exchange-Traded Futures Contract which is open at the close of trading on the last day of trading you will be under an obligation to pay or have a right to receive an amount of money depending on the price movement.

The settlement of Exchange-Traded Futures Options is more complex. For example, on the SFE all "in-the-money" (a Put Option with an exercise price above the price of the underlying Exchange-Traded Futures Contract or a Call Option with an exercise price below the price of the underlying Exchange-Traded Futures Contract) or at-the-money (a Put or Call Option with an exercise price equal to the price of the underlying Exchange-Traded Futures Contract) options are automatically exercised by the Clearing House. The resulting position is settled as an Exchange-Traded Futures Contract position. Not all Derivatives Exchanges automatically exercise "at-the-money" or "in-the-money" Exchange-Traded Futures Options at expiry, particularly United States Derivatives Exchanges. You should check with Aliom before the Expiry Date, or your Exchange-Traded Futures Option traded on an overseas Derivatives Exchange may lapse with the result it will be worthless.

The settlement procedures for Exchange-Traded Options are different again. You should check with Aliom for details of your particular option as the procedures can vary widely.

**13. Dispute Resolution**

Aliom takes every step possible to ensure we provide you with quality service. Aliom has an internal dispute resolution policy in place to resolve any complaints or concerns you may have about the service provided to you. Any complaints should initially be directed to our Complaints Officer (by telephone, facsimile, or letter) at the address provided in Section 2 Product Issuer Details, or by email [complaints@aliom.com.au](mailto:complaints@aliom.com.au).

We will provide you with acknowledgement of written complaints within 5 business days, and seek to resolve and respond to your complaint within 30 days of receipt. We will investigate your complaint, and provide you with our decision, and the reasons for which it is based in writing. We will endeavour to resolve your complaint quickly and fairly.

If the complaint cannot be resolved to your satisfaction within 45 days and you wish to proceed further, you may lodge a complaint with the Financials Ombudsman Service (FOS) via the following means:

**Financial Ombudsman Service**

Website: [www.fos.org.au](http://www.fos.org.au)

GPO Box 3, Melbourne Vic 8007

Toll Free Telephone: 1300 78 08 08

Email: [info@fos.org.au](mailto:info@fos.org.au)

Fax: 03 9613 6399

You may also contact ASIC's freecall Infoline on 1300 300 630 to make a complaint and obtain information about your rights.



## 14. Taxation Implications

There may be taxation implications relating to your entry into Exchange-Traded Derivatives transactions depending upon your particular circumstances. **Aliom does not provide advice with respect to taxation and you should seek advice from your tax adviser before you enter into any Exchange-Traded Derivatives transactions.**

The varied nature of Exchange-Traded Derivatives will mean that the taxation impacts of any gains and losses arising out of such transactions will need to be considered on a case by case basis, with the assistance of your tax adviser in light of your own individual circumstances.

## 15. Cooling-Off Arrangements

There are no cooling-off arrangements for Exchange-Traded Derivatives.

## 16. Privacy

We will maintain complete records of the services we provide to you in accordance with Australian Laws. As a financial services provider, we have an obligation under the Anti Money Laundering and Counter Terrorism Financing Act to (amongst other things) verify your identity and understand the reasons behind your transactions. If we are unable to collect all information requested in the Account opening process or requested by us at any other time, we may be unable to provide or continue to provide services. We may retain copies of any information you provide us.

We keep a record of personal information you provide to us. Your privacy is important to us and we are committed to compliance with the Privacy Act and National Privacy Principles. We maintain a record of your personal profile which includes your personal details and the details of your objectives, financial situation and needs. We also maintain records of any recommendations made to you.

Aliom may use the personal information you provide for the purposes of trading with you and for direct marketing of products and other services offered by Aliom or an organisation we are affiliated with or represent. You have the right to request not to receive direct marketing material.

We may disclose your personal information to external parties, such as our financial services providers, for the purposes of arranging your investments or transactions. Such external parties are required and committed to protecting your privacy.

Telephone calls with us may be recorded to allow for a record to be kept of orders taken and to ensure that our service standards are met.

If you wish to access information we hold about you or have any concerns, please contact us. A copy of our privacy policy is available from us or our website [www.aliom.com.au](http://www.aliom.com.au)

## 17. Glossary of Terms

Below is a list and the meaning of some words used in this PDS.

**Account** - The account opened by you with Aliom, which is established in accordance with the terms and conditions of the Client Agreement.

**Aliom** - Aliom Pty Limited.

**American Option** - An option which may be exercised at any time up to and including the Expiry Date.

**ASIC** - Australian Securities and Investments Commission.

**ASX** - ASX Limited.

**AUD** – Australian dollar.

**Call Option** - An option giving the buyer the right to buy the Underlying Financial Instrument at the Exercise Price on or before the Expiry Date.

**Cash settled Exchange-Traded Derivatives contracts** – Where the two parties make a cash adjustment between them according to whether the price of an Underlying Financial Instrument has risen or fallen since the time the arrangement was made.

**Clearing** - The process by which Exchange-Traded Derivatives contracts executed on a Derivatives Exchange are registered and cleared in the name of a Clearing Participant with the relevant Clearing House.

**Clearing House** - The Clearing facility authorised by the relevant Derivatives Exchange. In practical terms a Clearing House is a body that assumes the obligations or guarantees in respect of all Exchange-Traded Derivatives contracts that are traded on the relevant Derivatives Exchange and registered with it. The Clearing House holds all Initial and Variation Margin requirements of the Clearing Participants. The Clearing House handles all cash settlement within the Derivatives Exchange and provides documentation necessary to record all business on the relevant Derivatives Exchange.



**Clearing Participant** - A Participant or member of a Clearing House.

**Client Agreement** - The agreement provided to you by Aliom, detailing the applicable terms and conditions as amended, supplemented or updated from time to time. You must complete, sign and return a Client Agreement, and have your Account approved by Aliom, in order to set up an Account with Aliom to deal in Exchange-Traded Derivatives.

**Corporations Act** - The Corporations Act 2001 (Cth).

**Derivatives Exchange** - SFE, ASX or any other financial market on which Exchange-Traded Derivatives may be traded.

**Deliverable Exchange-Traded Derivatives contracts** – Where the seller agrees to deliver to the buyer, and the buyer agrees to take delivery of, the quantity of the Underlying Financial Instrument described in the contract.

**European Option** - An option which may only be exercised at expiry.

**Exchange-Traded Futures Contract** – A futures contract (both deliverable and cash-settled) that is traded on a Derivatives Exchange.

**Exercise Price** - The price at which an option buyer may purchase or sell the Underlying Financial Instrument upon exercise of the Exchange-Traded Futures Option contract.

**Expiry Date** - In relation to an Exchange-Traded Futures Option or an Exchange-Traded Option, the date on which the option expires as designated in the contract specifications.

**Free Equity** – The total value of your Account less any margin requirements.

**FSG** - Aliom's financial services guide as amended, supplemented or updated from time to time.

**Initial Margin** - The amount that a client is required to pay to establish a position in an Exchange-Traded Futures Contract.

**Long** – A bought position in an Exchange-Traded Derivatives contract.

**Margin Call** – A demand for additional funds to be deposited in an Account to meet margin requirements.

**Market Order** - An order to buy or sell an Exchange-Traded Derivatives contract immediately at the current price.

**Operating Rules** - In relation to a Derivatives Exchange or Clearing House, the articles, constitution, rules, by-laws, regulations, customs and practices of that Derivatives Exchange and Clearing House.

**Option** – The right to buy or sell a specified asset at a particular price.

**Option Premium** - The price paid to buy an option.

**Participant** – A participant or member of a Derivatives Exchange.

**Put Option** - An option giving the buyer the right to sell the Underlying Financial Instrument at the Exercise Price on or before the Expiry Date.

**Privacy Act** – Privacy Act 1988 (Cth).

**SFE** - Sydney Futures Exchange Limited.

**SFE Clearing** - SFE Clearing Corporation Pty Ltd, the Clearing House for the SFE markets.

**Short** – A sold position in an Exchange-Traded Derivatives contract.

**Underlying Financial Instrument** – the financial instrument, security, index or a commodity of a given grade or quality underlying an Exchange-Traded Futures Contract or an Exchange-Traded Option.

**Variation Margin** - The difference between the value of an Exchange-Traded Derivatives contract when it is initially bought or sold and its value marked to market at any given time.