

Target Market Determination

CommSec Exchange Traded Options

Start date: 5th October 2021

Next review due: 5th October 2022

Review period: At least every 12 months from the start date of this Target Market Determination

What is a Target Market Determination?

A Target Market Determination (TMD) describes the cohort of customers that the product is targeted at (the Target Market) and any conditions around how the product is distributed to customers (the Distribution Conditions).

It also describes the events or circumstances where we are required to review the Target Market Determination for a financial product (the Review Triggers).

Why does CommSec need to have Target Market Determinations?

We're required to have Target Market Determinations under law. The purpose of the law is to make sure customers are at the centre of our approach when designing and distributing our financial products.

This document is not a substitute for the product's terms and conditions or other disclosure documents. When making a decision about this product, customers must refer to the relevant Product Disclosure Statement (PDS), Terms and Conditions or other disclosure documents.



CommSec

Target Market

Objectives, financial situation and needs of the Target Market

This product is targeted at three categories of customers who have the following broad objectives:

- Risk Mitigation Customers
 - To hedge or protect investment portfolio from falls in share values or the market.
 - To lock in the price of a share and gain time to decide whether to purchase or sell the shares.
- Income Generation Customers
 - To earn additional income (option premium) by selling call options over shares already owned, with risk of assignment.
- High Risk Tolerance Customers
 - To profit from a market view.
 - To diversify investment portfolio using leverage.

Customers in the target market must:

- Be able to affirm that they meet certain financial risk, financial capacity and options positions monitoring requirements; and
- Pass a knowledge assessment to demonstrate that they understand and accept the risks associated with options trading, including but not limited to the following:
 - Market movement and volatility;
 - Leverage (which can multiply profits as well as losses);
 - Expiry (limited life of options);
 - Exercise and assignment;
 - Margin calls;
 - Financial loss.

The financial situation of the target market for this product are those who are able to:

- Access existing share investments and/or cash to meet options trade settlement and/or margin requirements; and
- Bear potential losses from options trading in a way that is consistent with their financial situation.

Target Market continued

This product is not suitable for customers:

- Who do not demonstrate that they understand and accept the risks associated with options trading; and
- Whose financial situation is unlikely to be consistent with the ability to meet obligations and bear potential losses from options trading.

Customers whose open option positions are being closed out (whether on the instruction of the customer, due to CommSec exercising its rights, by action of the Australian Securities Exchange (ASX) Group or otherwise) are included in the target market, even if the customer would not otherwise fall within the target market.

Eligibility criteria for the product

To hold this product, customers will need to satisfy certain eligibility criteria, including that customers must:

- Be individuals aged 18 years or older; and
- For personal/joint accounts, have an Australian residential and postal address; or
- Be an Australian registered or incorporated company; or
- Be an Australian trust or self managed super fund (SMSF); and
- Have an existing CommSec Share Trading Account in the same name; and
- Have an existing Commonwealth Direct Investment Account or CommSec Margin Loan account or Commonwealth Bank of Australia (CBA) account in the same name for trade settlement purposes;
- Be able to affirm that they meet certain financial risk, financial capacity and options positions monitoring requirements; and
- Pass a knowledge assessment for the relevant trading level (all individuals with authority to transact on the account must pass the assessment).

Key features of the product

- CommSec Exchange Traded Options are exchange-traded equity and index options that are traded on the ASX:
 - Exchange-traded equity options are options on quoted shares (or other securities) of a select group of stock exchange listed companies; and
 - Exchange-traded index options are options on a select group of stock exchange indices.

Target Market continued

- Four trading levels are available and the characteristics of each trading level are as follows:
 - Each trading level offers different types of investment or trading strategies, with varying levels of risk. The strategies available in each trading level are set out in the table below;

Trade	Level 1	Level 2	Level 3	Level 4
<ul style="list-style-type: none"> • Buy calls and puts to open • Sell calls and puts to close 	✓	✓	✓	✓
<ul style="list-style-type: none"> • Sell specific covered calls to open 		✓	✓	✓
<ul style="list-style-type: none"> • Sell uncovered calls to open on margin 			✓	✓
<ul style="list-style-type: none"> • Sell uncovered puts to open on margin 				✓

- Level 3 and Level 4 provide customers with access to a broader range of strategies, including strategies with greater levels of complexity and risk (being the ability to sell uncovered call and put options);
- Knowledge requirements for the four trading levels will vary in line with the complexity and risk of investment or trading strategies available in each trading level; and
- SMSF are eligible for Level 1 and Level 2 only.

Why the product is likely to be consistent with the likely objectives, financial situation and needs of the Target Market

CommSec Exchange Traded Options is likely to be consistent with the likely objectives, financial situation and needs of the target market given:

- The product can be used for the purposes set out in the target market section;
- Customers have the option of pursuing different investment or trading strategies which carry different benefits and risks; and
- Customers can only obtain the product if they meet the eligibility criteria.

A separate Target Market Determination has been made for the Commonwealth Direct Investment Account and other CBA accounts referred to above. Refer to www.commbank.com.au/tmd.

Distribution Conditions

The distribution of this product is subject to the following conditions and restrictions:

- The product can be distributed through:
 - CommSec (online application); or
 - A Commonwealth Private Banker who will refer the customer to CommSec.
- The product cannot be distributed or offered through third parties;
- The product can only be distributed to customers in accordance with CommSec's product and process requirements.

CommSec views that these distribution conditions are appropriate and are of a nature that it is likely that the product will be distributed to the target market given that:

- CommSec will have oversight of how the product is promoted and issued; and
- Customers must meet CommSec's eligibility criteria for the product.

Review Triggers

The TMD may no longer be considered appropriate and a review of this TMD must be undertaken by CommSec, if any of the below review triggers occur:

- A significant number of complaints received from customers who acquired the product, which relate to the customer's purchase or use of the product and which shows that the TMD may no longer be appropriate for the product;
- A material incident or significant number of incidents, which relate to the customer's purchase or use of the product and which shows that the TMD may no longer be appropriate for the product;
- A significant dealing of this product to customers who are outside of the Target Market;
- The receipt of a product intervention power order from ASIC requiring CommSec to immediately cease retail product distribution conduct in respect of the product;
- The material alteration of the product or product terms and conditions, which would cause the TMD to no longer be appropriate for the product; or
- Any other event or circumstance that CommSec views would materially change a factor taken into account in making the TMD.

Review Trigger Information Reporting Requirements

The following information must be provided to CommSec by all third parties who provide advice on the product to retail clients within the required timeframes:

Information Type	Description	Time Frame for Reporting
Product complaints data	Information relating to complaints received including number of complaints, third party name, product name and complaint verbatim.	Quarterly and in any case no later than 10 business days from the end of the quarter.



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