

# Target Market Determination - Options



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## TOTALITY

### TARGET MARKET DETERMINATION Options

Issuer	Totality Wealth Limited (' <b>Totality</b> ', ' <b>us</b> ' or ' <b>we</b> ') issues Exchange Traded Options to its retail client customers.
Financial Product	Exchange Traded Options ( <b>Options</b> )
Introduction	<p>A Target Market Determination (<b>TMD</b>) is a document which describes who a product is likely to be appropriate for (the target market), and any conditions around how the product can be distributed to customers. It also describes the events or circumstances where we may need to review the TMD for a financial product. The design and distribution obligations set out in Part 7.8A of the <i>Corporations Act 2001</i> (Cth) apply to the issue and distribution of the said derivatives to retail clients.</p> <p>This TMD is not a Product Disclosure Statement (<b>PDS</b>) and is not a summary of all of the product features and risks. This document does not consider any person's individual objectives, financial situation or needs. Persons interested in acquiring Options should consider our PDS prior to entering into an Options transaction with us.</p>

#### Overview of Options we issue

##### What is Options?

Options is a leveraged derivative in the nature of an option over an underlying asset, commonly a security or an index. The buyer of an option pays a premium for the Options and obtains the right, but not the obligation, to buy (in the case of a call option) or sell (in the case of a put option), the underlying asset at the specified exercise price. Conversely, the seller of the Options has the obligation, if the Options is exercised, to sell (in the case of a call option) or buy (in the case of a put option) the underlying asset at the specified exercise price. Options have a fixed expiry date. Options may be American style options (which are exercisable any time prior to expiry) or European style options (exercisable only on the expiry date).

##### Options have the following key attributes:

- Options are a type of derivative giving the buyer (the taker) the right, but not the obligation, to buy or sell the underlying product at a specified price on or before a specified date. On the opposite side, the seller (option writer), has the obligation to perform the contract, that is, either buy or sell the underlying product, if the option is exercised.
- The terms and specifications of Options (other than the premium) are determined by the relevant exchange.
- Options have a limited life span, and their value (all other things being equal) erodes the closer it reaches its expiry date.

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- The value of Options will fluctuate depending on a range of factors, including the price, volatility, remaining to expiry date, interest rates, dividends, exchange rates and general risks applicable to markets.
  - Since Options are available on a number of exchanges globally, client obligations and contract requirements for each contract may differ and the denomination of the Options may not be in AUD.
  - The risks of an Options differ depending on whether someone is a buyer or seller and the strategies adopted.
  - Buyers of Options may lose their entire premium (ie/ the entire upfront amount invested) plus transactions costs if the Options is not in the money at the time of exercise, or not closed out prior to expiry;
  - Sellers of Options are exposed to potential margin calls, which may require cash or other assets to be lodged at short notice. The relevant exchange imposes minimum margin requirements on sellers. Totality may call for margin in excess of minimum exchange requirements. Totality may change the applicable margin requirements at any time without notice, which could trigger immediate liquidations in the client account.
  - Sellers of uncovered call options are at potential increased risk – if the option is exercised, the seller must obtain, and then deliver, the underlying asset to meet its obligations to the buyer who has exercised the option. This means the seller of uncovered call options is at risk of unlimited losses.
- Similarly, sellers of put options are at potential increased risk – if the option is exercised, the seller must purchase the underlying asset at the exercise price, which may be above the current market price at which the asset may be able to be otherwise purchased.

What type of Options do we provide?	
Buy a call option or put option;	
Selling a covered call option;	
Spreads or various defined multi-leg strategies; and	
Selling an uncovered call or put option, either in isolation or as part of an options trading strategy.	

## Target Market

### THE LIKELY OBJECTIVES, FINANCIAL SITUATION AND NEEDS OF THE CONSUMERS IN TARGET MARKET

1. **Income level:** clients who have taxable annual income of no less than AUD \$50,000.
2. **Liquid Net Worth** (total value of any assets you own that can be quickly converted into cash): clients who have liquid net worth of no less than AUD \$20,000.
3. **Age Group:** Above 21 years of age.
4. **Risk Tolerance:** Experienced investors with a higher risk tolerance.
5. **Ability to bear losses:** Clients who have the ability to bear losses up to the value of their Totality account and, in certain circumstances, more than the amount of the premium received when selling uncovered options.
6. **Investment horizon:** Clients who prefer shorter-term horizons, enabling them to capitalise on quick market movements and short-term trends. This approach involves holding positions for limited periods, which aligns with the high risk and volatility inherent in Options trading, with attention to accumulating financing costs, making it ideal for capturing transient market opportunities without committing to long-term positions. The investment horizon will also be dictated by the type of Options trading that the client engages in.
7. **Objectives and Needs:**  
Clients who:
  - Wish to take positions in a product to hedge or offset the risk in another product

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- To lock in the price of an underlying and gain time to decide whether to purchase or sell the asset
- Speculation and diversification
- To earn additional income (option premium) by selling options

Note that it is not a requirement that a person meets all of the objectives or needs. Depending on their strategy they are only required to meet one.

## **Have the ability to bear:**

- a. magnified exposures and losses that may arise from trading with leverage;
  - b. the risk of currency fluctuations where the Options is not denominated in AUD;
  - c. the erosion in value as the Options reaches its expiry date and the fact they are worth nothing if they expire and are unexercised; Options have a limited life span as their value erodes as the option reaches its expiry date and they are worth nothing if they expire and are unexercised
  - d. the risk of fluctuations in the value of the reference underlying, for example the fluctuation in the value of a stock over which a Options might be issued;
  - e. the risk of being unable to maintain your hedge (protection) should a margin violation cause the Options to be closed out
  - f. (in the case of the seller of a put option) - the risk of being required to meet settlement obligations if the option is exercised
  - g. (in the case of a buyer of an option) - the loss of premium plus transactions costs if the Options is not in the money at the time of exercise (or not closed out prior to expiry);
  - h. (in the case of a seller of an option) - potential margin calls, which may require cash or other assets to be lodged at short notice; Sellers of options are exposed to potentially unlimited losses if the market moves against the position.
  - i. The risk of having to physically deliver stocks
- Able to assess the life span of a product against their investment time frame; and
  - Have capacity to actively monitor their margin obligations when these apply.

## **Class of persons that are not within the Target Market**

- Below age of 21
- Inexperienced Retail Clients.
- Anyone who resides in a jurisdiction where trading these products is prohibited.
- Retail Clients with a conservative or low risk appetite.
- Retail Clients who do not have the ability to bear losses.
- Retail Clients who are unable to monitor and manage their margin obligations and to generate additional capital to meet margin calls as they arise.
- Retail Clients with an investment time frame that is generally inconsistent with their objectives and needs.

## **KNOWLEDGE AND EXPERIENCE**

Prior to being able to access this product, the applicant must have passed the basic appropriateness and knowledge questions. This will test the applicant's knowledge and experience of the product. Trading in Options requires knowledge and understanding of the impact of and risks associated with trading in derivatives on margin. They must be able to demonstrate a knowledge of the product. The applicant must also be aware of and accept the risks associated with such trading.

# Target Market Determination – Options



Explanation of why Options, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market	
<p>• Trading in Options will not be appropriate for everyone they are only appropriate for experienced or knowledgeable investors who have the ability to bear losses that may exceed the value of their account.</p> <p>• Options can be used for a variety of purposes, including hedging, speculation, diversification and generating trading profits, hence consumers with these investment objectives will likely be within the target market.</p> <p>• Given that Options are often used for speculation, some clients trading Options will incur losses while others incur profits. These losses and gains are amplified because Options are leveraged instruments. Accordingly, consumers with a conservative or low risk appetite are likely outside of the target market for Options.</p> <p>• Totality has the right and will generally conduct automatic liquidations in under-margined accounts, among other things, mitigating the risk of consumers incurring losses exceeding their Totality account equity, but Totality does not guarantee that it will always be possible to do so. Clients with the capacity to actively monitor their accounts will likely be in the target market.</p> <p>Accordingly, if a Options was to be issued to a client in the target market, it would likely be consistent with the likely objectives, financial situation and needs of the consumer (s 994B(8) (b)).</p>	
Outline of the conditions and restrictions relating to distribution of Options	Conditions and restrictions relating to the distribution of this product – s 994B(5)©
	<p>Totality has a high degree of control over the distribution of its Options. Where Totality uses introducing brokers they must ensure that clients have been onboarded correctly in line with the target market.</p> <p>Totality only issues Options directly to clients who complete the online application and who personally satisfy all of the target market criteria to trade Options through its proprietary trading platform.</p>
Explanation of why these distribution conditions and restrictions will make it more likely that the consumers who acquire the Options are in the target market	
	<p>Totality will seek to prevent any person that directly opens a Totality account and who is not within the target market from accessing Totality issued Options.</p> <p>Considering the above, we consider it highly likely that only the consumers who are within the target market will access Totality issued Options through Totality's trading platforms.</p>
	Reviews
Review Triggers– s 994B(5) (d)	<p>The following review triggers reasonably suggest that this TMD may no longer be appropriate and will prompt a review of the TMD:</p> <ul style="list-style-type: none"> <li>• occurrence of a significant dealing that is not consistent with the TMD;</li> <li>• a significant increase in the number of complaints;</li> <li>• a significant change in the nature of complaints;</li> <li>• a material variation of the product.</li> </ul>

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<b>When the first review of the TMD must occur - 994B(5) (e)</b>	Within 12 months
<b>When subsequent reviews of the TMD must occur - s 994B(5) (f)</b>	Within 12 months
	<b>Reporting period for reporting information about the number of complaints about the product – s 994B(5) (g)</b>
<b>Reporting of information by the distributor - s 94B(5) (h)</b>	Third party distributors must make available to Totality information that would assist in ensuring that clients within the target market are the primary targets for this financial product. Internal functions and divisions must also make available to Totality information that would assist in ensuring clients within the target market are the primary targets for this financial product.
<b>Information that must be reported- s 994B(5) (h) (i)</b>	<p>Significant dealings in the financial product by clients outside of the target market;</p> <ul style="list-style-type: none"> <li>• details of all complaints that relate to the financial product, including the nature, volume and outcomes of complaints;</li> <li>• the number of clients who are identified as potentially being outside of the target market based on client queries (e.g. queries communicated via calls or emails that indicate the client has a limited understanding of the product and its risks);</li> <li>• general feedback relating to the product and its performance, including any feedback from regulators; and</li> <li>• any other failures to comply with this TMD.</li> </ul>
<b>When the distributor must report information</b>	<ul style="list-style-type: none"> <li>• For any significant dealings, the distributor must notify Totality in writing as soon as practicable, and in any event within 10 business days of the distributor becoming aware.</li> <li>• For complaints, information including the nature, volume and outcomes must be reported within 10 business days following the end of every calendar quarter.</li> <li>• Within 10 business days following the end of every calendar quarter, distributors must report the number of clients who are identified as potentially being outside of the target market based on client queries (e.g. queries communicated via calls or emails that indicate the client has a limited understanding of the product and its risks).</li> <li>• If the distributor is aware of any failure to comply with this TMD, this must be reported in writing as soon as practicable, and in any event, within 10 business days of the distributor becoming aware.</li> <li>• Each year, the distributor will be required to provide to Totality a summary of the distribution of this product, the competence of staff to distribute and the processes in place to ensure ongoing compliance with their obligations under this TMD.</li> </ul>
<b>Update to TMD</b>	We reserve the right to amend this TMD at any time if such amendment is needed as a result of any changes to the law or regulations, regulatory guidance, or for any reason we consider as a proper reason to amend the TMD.