



TARGET MARKET DETERMINATION

nabtrade Exchange Traded Option (ETO) Index Option

Determination Criteria	Description
Start Date:	16/10/2021
First and ongoing review period:	The first review, and each ongoing review, must be completed within each consecutive 12-month period from the Start Date.
Product:	<p>nabtrade Exchange Traded Option (ETO) Index Option</p> <p>A derivative security involving a cash settled contract between two parties giving the taker (buyer) the right to receive a cash payment if the market rises or falls to a predetermined level on the expiry date.</p>

TARGET MARKET

Target market & product attributes:	Consumer needs and objectives	Product attributes
	<p>A person that wants to:</p> <ul style="list-style-type: none"> Hedge or protect a share portfolio against a drop in value Generate income from the sale of an Index Option Trade Index ETOs based on views of an Index's likely performance diversify an investment portfolio invest in financial products through the nabtrade platform; and By using options over an index, trade a view on the general direction of the market with just one trade. 	<p>An Index option is a cash settled contract between two parties giving the taker (buyer) the right to receive a cash payment if the market rises or falls to a predetermined level on the expiry date. To acquire this right the buyer pays a premium to the writer (seller) of the contract.</p> <p>This Index Exchange Traded Option has the following key attributes:</p> <ul style="list-style-type: none"> Call Option: <ul style="list-style-type: none"> If the closing level of the index is greater than the exercise level of the option, the buyer has the right to exercise the option and receive a payment. The amount is determined by multiplying the difference between the closing level and the exercise level by an index multiplier specified by ASX. If the buyer exercises the option, ASX Clear assigns an exercise notice to the seller, who must then pay the equivalent amount. Put Option: <ul style="list-style-type: none"> If the closing level of the index is less than the exercise level of the option, the buyer has the right to exercise the option and receive a payment. The amount is determined by multiplying the difference between the closing level and the exercise level by the index multiplier specified by ASX. If the buyer exercises the option, ASX Clear assigns an exercise notice to the seller, who must then pay the equivalent amount. Leveraging using this ETO: <ul style="list-style-type: none"> The initial outlay for an Index Options contract is less than needed to invest directly in the



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		<p>underlying shares. An option can be bought that represents a larger number of underlying shares for less outlay, and still benefit from a price move in the underlying shares. Leveraging is the ability to make higher percentage returns for a smaller initial outlay.</p> <ul style="list-style-type: none"> • Earning income using this ETO: <ul style="list-style-type: none"> - Investors can earn income by selling call options over an index. As a seller of Index ETOs, a premium income is received upfront. To meet margin obligations throughout the life of the position, lodging extra collateral if the price of the underlying index rises may be required. • Diversify using this ETO: <ul style="list-style-type: none"> - Because the initial outlay is lower when an option is traded, a portfolio may be diversified and gain broader exposure to a market index.
	<p>Consumer financial situation</p> <p>A buyer that has access to:</p> <ul style="list-style-type: none"> • sufficient funds to pay for, the premium and a brokerage fee from a nabtrade linked Cash Account; and • funds to settle the transaction if exercised. <p>A seller that will have access to sufficient cash or collateral to cover their obligations and to pay margins calculated by ASX Clear and WealthHub Securities Limited (WSL).</p> <p>Index ETOs may not be suitable for clients who place a high priority on protecting all of their investment capital and aim to avoid the potential for losses. Both the purchase and sale of index options involve risk.</p>	<p>Product attributes</p> <p>This ETO requires:</p> <ul style="list-style-type: none"> • the buyer to: <ul style="list-style-type: none"> - pay the premium and the tiered brokerage fee (based on the value of the premium) from a nabtrade linked Cash Account; and - pay the tiered ASX Clear transaction fee. • the seller to: <ul style="list-style-type: none"> - deposit cash to cover their obligations; and - pay margins calculated by ASX Clear (the clearing and settlement facility) and WSL.
<p>Negative target Market</p>	<p>Not suitable for a person:</p> <ul style="list-style-type: none"> • with no experience or understanding of derivative securities and ETOs • who places a high priority on protecting all of their investment capital and aims to avoid the potential for losses. Both the purchase and sale of options involve risk. 	
<p>Appropriateness statement:</p>	<p>NAB has considered that the product including its key attributes is appropriate for the target market including the likely objectives, financial situation and needs of consumers in the target market.</p>	



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DISTRIBUTION CONDITIONS

<p>Commercial Compliance: This condition applies to all conduct</p>	<p>Condition 1</p> <p>A distributor must:</p> <ul style="list-style-type: none"> • hold an appropriate Australian Financial Services Licence (AFSL) or be an authorised representative of an AFSL holder unless an exemption applies covering the provision of financial services in respect of the product; and • if the distributor is not WSL: <ul style="list-style-type: none"> – comply with the terms and conditions of any relevant distribution agreement or arrangement with WSL – if applicable, comply with the terms of any licensing exemption covering the provision of financial services in respect of the product. <p>Authorised representatives of WSL must only engage in general advice if they are Accredited Derivatives Adviser (ADA) qualified.</p> <p>This condition is appropriate as it ensures distributors are appropriately authorised to provide the relevant regulated financial services and will comply with the commercial terms agreed between the distributor and WSL.</p>
<p>General Advice: This condition applies to general advice (including most marketing)</p>	<p>Condition 2</p> <p>A distributor must only provide general advice (such as marketing) as to the product if:</p> <ul style="list-style-type: none"> • a Target Market Determination (TMD) has been made and published for the product and has not been withdrawn • the distributor complies with the terms of the TMD for the product • the general advice is consistent with the consumer needs, objectives and financial situation defined in the target market for the product; and • ASIC has not issued a Product Intervention Power restricting the publication of general advice for product by the distributor. <p>A distributor may provide general advice (such as marketing) as to the product through limited public channels such as:</p> <ul style="list-style-type: none"> • advertising available on specialist periodicals related to purchasing shares (including relevant social media), physical banners, brochures and other marketing material • advertising through comparison sites and rating agencies • nabtrade's Call Centre • nabtrade's Mobile Application • nabtrade's Website. <p>This condition is appropriate as the target market is relatively narrow as the product is specialised.</p> <p>It is intended that these channels may be available to persons who may not at that time require this kind of product. This is because the issue of the product is subject to Distribution Conditions 1, 3, 4 and 5 which will ensure that the product is only issued to persons for whom it will be appropriate.</p>
<p>Retail Product Distribution Conduct (other than General Advice): These conditions apply to all retail product distribution conduct that is not general advice</p>	<p>Condition 3</p> <p>A distributor must only engage in retail product distribution conduct (other than general advice) if:</p> <ul style="list-style-type: none"> • A TMD has been made and published for the product and has not been withdrawn • the distributor complies with the terms of the TMD for the product • ASIC has not issued a Product Intervention Power restricting the distribution of the product for the distributor; and • the distributor has complied with Condition 4. <p>A distributor must only engage in retail product distribution conduct (other than general advice) through the WSL platform.</p>



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This condition is appropriate as the target market for issue of this product is narrow, limited to those that understand the risks and benefits of index options. It is also appropriate as the issuer has distributed this product using this method, with considered risk to consumers.

Condition 4

A distributor through nabtrade platform must only engage in retail product distribution conduct other than general advice (limited to dealing in the product) if it has identified that the consumer has successfully completed, and scored 100% on, an Options Trading Questionnaire.

This condition is appropriate as it requires a distributor to confirm that the consumer understands the product (including its risks and benefits).

Condition 5

A distributor must only engage in retail product distribution conduct (other than general advice) if it has identified the key difference between:

- the product (including the specific product option requested by the consumer); and
- the other product options for the product and other exchange traded options issued by WSL.

This condition is appropriate as it requires a distributor to confirm that the consumer is in the target market.

REVIEW TRIGGERS

Review triggers:

WSL and any distributor of this product, must cease all retail product distribution conduct (except excluded conduct) in respect of this product within 10 business days of WSL identifying a review trigger unless:

- WSL has determined that this TMD continues to be appropriate; or
- a new TMD has been made.

The events and circumstances described below will trigger a review of this TMD if WSL determines it may relate to the appropriateness of the TMD having regard to WSL's internal policies.

WSL will publish notice of a review on its website.

Material complaints

WSL actively monitors consumer complaints and will review the appropriateness of the TMD where complaints in number or significance relate to:

- consumer understanding of the risks, key terms, conditions or attributes of this product.

Feedback from distributors

Reporting received from distributors, or consistent feedback from distributors which suggests that the target market or key product attributes may no longer be appropriate.

Refer to Reporting.

Substantial Product Change

WSL makes a substantial change to the product terms, conditions or key attributes including:

- adding to, removing or changing a product attribute
- a substantial pricing change which impacts the customer value proposition of the product
- significant changes to a distribution channel and distribution strategy.



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	Significant Change to the External Environment	<ul style="list-style-type: none"> Regulatory or legislative environment for this product. Economic and market conditions.
	Notification from ASIC	WSL receives a notification from ASIC requiring immediate cessation of product distribution or particular conduct in relation to the product.
	Significant Dealings	Evidence that the distribution of the product or distributor conduct are significantly different to the expectations set out in the TMD.
REPORTING		
Reporting period:	The reporting period for this determination is quarterly during each calendar year: <ul style="list-style-type: none"> First reporting period ending on 31 March. Second reporting period ending on 30 June. Third reporting period ending on 30 September. Fourth reporting period ending on 31 December. 	
Reporting information:	A distributor must provide the following information in writing as soon as practicable or within 10 business days after the end of the relevant reporting period.	
	Complaint Information	Complaints related to risks, key terms, conditions or features of this product including: <ul style="list-style-type: none"> the number of complaints the nature and circumstances of the complaints whether or not there has been or is likely to be consumer harm or detriment, and if so, the nature of the harm or detriment.
	Feedback from distributors	Feedback that the target market or key product attributes may no longer be appropriate and not meeting the likely needs and objectives and financial situation of the class of consumers in the target market.
	Significant Dealings	If a distributor becomes aware of a significant dealing in the product or an issue with distributor conduct that is not consistent with the TMD, they must notify the issuer in writing as soon as practicable, and in any event within 10 business days after becoming aware
	Other Information Requested by WSL	Any other information requested in writing by WSL from time to time subject to: <ul style="list-style-type: none"> The request being necessary to enable WSL to meet its legal and compliance obligations; and WSL providing at least 30 days prior notice before the end of the Reporting Period.

This product is issued by WealthHub Securities Limited ABN 83 089 718 249 AFSL No. 230704, a Market Participant under the ASIC Market Integrity Rules and a wholly owned subsidiary of National Australia Bank Limited ABN 12 004 044 937 AFSL and Australian Credit Licence 230686 (NAB). NAB does not guarantee the obligations of its subsidiaries.