

NZX Group Put Options on Equities

Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

This document provides information relating to equity put options that have been listed by NZX Limited (**NZX**). NZX is a licenced market operator pursuant to the Financial Markets Conduct Act 2013.

NZX is regulated by the Financial Markets Authority.

This document is dated 11 July 2018.

Please note: You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

The product is a put options contract for an equity (**Put Option**) listed for trading on the NZX Derivatives Market (**Market**) and cleared through the NZCDC settlement system (**Clearing House**), which is a designated settlement system by Order 2010/277 of the Reserve Bank of New Zealand.

A Put Option contract is an agreement that the buyer is granting the seller the right (but not the obligation) to sell the underlying asset at a fixed price on the Last Trading Day. The Put Options are physically settled to the underlying equity price.

The transactions are conducted in accordance with the following classifications: (a) contract months which respectively have the last trading day and (b) exercise prices set in each contract month. A long/short position can be closed out by a corresponding transaction on the opposite side, until the last trading day, subject to liquidity.

The Put Options are American Style. In-the-money options automatically exercise on the last trading day, in accordance with the Contract Specification. At-the-money and out-of-the-money options shall expire worthless in accordance with the Contract Specification.

The Put Options allows investors to lock in a minimum price for selling the underlying asset. The Put Options can be used as a form of insurance for hedgers. If the price of the equity decreases then a put option buyer would be protected from this decrease, however would still benefit if prices increased.

To purchase a Put Option you are required to pay a "Premium" to the seller of the Put Option contract.

Information on the specific Put Options can be found online at <https://www.nzx.com/markets/NZCX/overview>.

The range of contract months available for trading, as well as the day and time at which the contract ceases trading can be found online at <https://www.nzx.com/markets/NZCX/overview>.

A Put Option product is not designed to be marketed to a specific type of investor, or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not the product fits their investment needs. If in doubt, a retail investor should contact their broker or investment adviser to obtain investment advice.

The settlement prices of the product are prices of the relevant underlying equity to be valued at the expiration date and in accordance with the terms of the Put Option contract. The return on investment is therefore determined by the market prices for the product when the position is opened and closed and the amount of time to expiration.

chance of default by the Clearing House. However, there is a low risk that you may suffer financial loss if a Participant defaults and the Clearing House does not have the capital to pay out.

What are the costs?

NZX charges transaction fees in a number of situations. Fees may be charged to you directly or the Participant you place your order through. If the fee is charged to the Participant you place your order through, they may pass this fee on to you.

The NZX fee schedule can be found here: <https://www.nzx.com/services/market-participants/participant-fees>. Trading fees can be found in Section 9 of the fee schedule.

The NZX Clearing Participant fee schedule can be found here: http://www.nzxfutures.com/system/downloads/6/NZX_Clearing_Participant_Fee_Schedule_2017.pdf?1500589041.

Aside from as disclosed in the fee schedule, no other charges are applied by NZX, although your Participant and any other intermediary firm employed by you may also charge fees for their services.

How long should I hold it and can I take money out early?

NZX does not provide a recommended holding period for this product, as this will be dependent on the needs of the investor. There is no minimum holding period, and no penalty for closing a position before expiry. Positions can be closed out by conducting an offsetting trade in the Market. NZX will charge a transaction fee for this offsetting trade and an additional close out fee. The tables above illustrate these costs.

The Participant through which you placed the trade may require you to close your position before the product's expiration date.

How can I complain?

In first instance any complaints should be directed to the Participant through which you placed your trade.

Complaints regarding the operation of the Market can be directed to derivativesinfo@nzx.com, or you can call on +64 (9) 309 3672.

NZX is registered with an external dispute resolution provider, Financial Services Complaints Limited (**FSCL**), in accordance with the Financial Service Providers (Registration and Dispute Resolution) Act 2008. If you have contacted NZX directly regarding your complaint, and are unsatisfied with the outcome, FSCL may be able to assist. You can email complaints@fscf.org.nz, or phone from New Zealand on 0800 347 257.

Other relevant information

Contract Specifications, along with the Put Option's terms and administrative procedures, can be found here: <https://www.nzx.com/markets/NZCX/overview>

The NZX Derivative Market Rules (**Rules**) can be found here: <https://www.nzx.com/regulation/derivatives-rules>.

Capitalised terms in this document that are not otherwise defined bear the meaning contained in the Rules.