NZX Group Call 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 call 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 call options contract for equity derivatives (**Call 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 Call Option contract is an agreement that the seller is granting the buyer the right (but not the obligation) to purchase the underlying asset at a fixed price on the Last Trading Day. The Call 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 Call 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 Call Options allows investors to lock in a maximum price for purchasing the underlying asset (being the relevant futures contract). The Call Options can be used as a form of insurance for hedgers. If the price of the equity increases then a call option buyer would be protected from this increase, however would still benefit if prices decreased.

To purchase a Call Option you are required to pay a “Premium” to the seller of the Call Option contract.

Information on the specific Call 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.

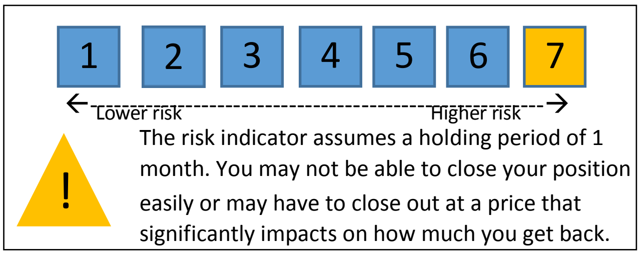
A Call Option product is not designed to be marketed to a specific type of investor, or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not the product fits their 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 Call 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.

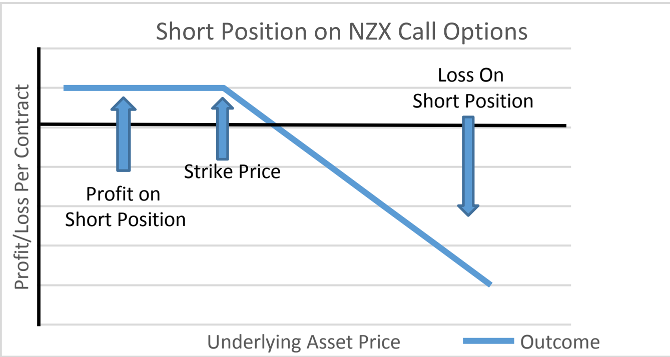
What are the risks and what could I get in return?

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or cause we are not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class. As an options contract, the product should be considered a high risk investment product.



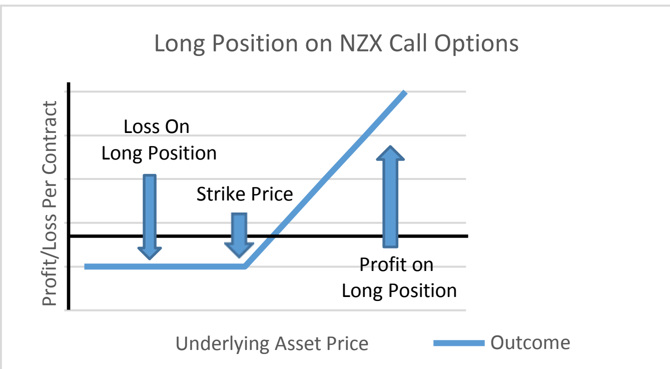
The product is listed for trading on the Market and there is no committed liquidity offered by market makers or the Exchange. Therefore, liquidity depends only on the availability of buyers and sellers in the Market. Regular trading activity observed at one point in time does not guarantee regular trading at any other point in time.



Selling a Call Option

The graph provided illustrates how your investment could perform, with a range of possible outcomes. This is not an exact indication of what you might get back, as this will depend on the underlying asset price. For each value of the underlying asset price, the graph shows what the profit or loss of the product would be if the product was purchased at a certain price. As there is a potential for loss on a short option positions, the Clearing House will require a margin deposit when selling a Call Option. This is an amount of money that must be deposited when a short option position is opened, which must be maintained at a minimum level set by the Clearing House and your Participant each day.

Holding a short position by selling this product indicates that you think the underlying asset price will decrease. **Your maximum loss is unlimited in a rising market and you may lose all of your investment and be required to make additional payments. If you sell this product without owning the underlying asset, you risk not being able to access the asset on the settlement day.**



Purchasing a Call Option

The graph provided illustrates how your investment could perform, with a range of possible outcomes. This is not an exact indication of what you might get back, as this will depend on the underlying asset price. For each value of the underlying asset price, the graph shows what the profit or loss of the product would be if the product was purchased at a certain price.

Holding a long position by buying this product indicates that you think the underlying asset price will increase.

What happens if NZX is unable to pay?

NZX is not a party to your trade, and its ability to pay is not relevant to your financial gain or loss.

The Clearing House is the central counter-party to every trade, so when your Participant places your order, the Clearing House is the buyer or seller on the other side.

The Clearing House is a designated settlement system and is regulated by the Reserve Bank of New Zealand and the Financial Markets Authority. The Clearing House maintains certain default capital to mitigate the 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 and 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@fscl.org.nz, or phone from New Zealand on 0800 347 257.

Other relevant information

Contract Specifications, along with the Call 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.