

Options Product Disclosure Statement

PRODUCT DISCLOSURE STATEMENT

1 DECEMBER 2023 | VERSION 1



Equity Options Index Options

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This is an important document.

Please read it carefully and make sure you understand it before accepting its terms. Retain a copy of this document for your reference.



Disclosures

PRODUCT DISCLOSURE STATEMENT

This Product Disclosure Statement (“PDS”) dated 1 June 2021, has been prepared by Morgan Stanley Wealth Management Australia Pty Ltd (“Morgan Stanley Wealth Management”, “we”, “our” or “us”). Pursuant to the Corporations Act, Morgan Stanley Wealth Management is deemed to be the issuer of **ASX Exchange Traded Options** (“ETOs” or “Options”) when these products are bought or sold through Morgan Stanley Wealth Management. This PDS has not been lodged with the Australian Securities and Investments Commission (“ASIC”) and is not required by the Corporations Act to be lodged with ASIC. A PDS In-use Notice has been lodged with ASIC in connection with this PDS. ASIC takes no responsibility for the contents of this PDS. Options issued by Morgan Stanley Wealth Management are interchangeable with contracts issued by any other Participant of ASX Group.

INVESTMENT DECISIONS

Nothing contained in this PDS constitutes the giving of general or personal financial product advice or a recommendation concerning the entry into transactions or participation in the Options. Before making a decision whether to invest in Options, investors should speak to their financial adviser and obtain independent tax advice, taking into account their own particular needs and financial circumstances. Neither Morgan Stanley Wealth Management nor any affiliate business guarantees the performance of the Options. Nothing in this PDS is, or may be relied upon as a representation of the future performance of the Underlying Securities or the suitability of Options to an investor’s needs.

UNDERLYING SECURITIES

References in this PDS to Underlying Securities are included solely for the purpose of identification of the securities to which the Options relate. Such references are not to be construed as any express or implied endorsement of the listed entity or any affiliate of the listed entity of the Underlying Securities, nor does any such listed entity or any affiliate of the listed entity accept any responsibility for any statement in this PDS nor undertake any liability in respect of the Options.

JURISDICTION AND SELLING RESTRICTIONS

This PDS is not an offer or invitation in relation to Options in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by laws of places where it is distributed and therefore persons into whose possession this document comes should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws.

TERMS OF USE

Options are entered into between an applicant and Morgan Stanley Wealth Management on the terms and conditions set out in part 3 of this PDS (the “Terms”). These Terms may include any additional terms as may be agreed between Morgan Stanley Wealth Management and you before your application is accepted.

It is important that you read these Terms in full, as they set out your rights and obligations in relation to Options.

This PDS is designed to assist you in deciding whether Options are appropriate for your needs and to assist you in comparing it with other financial products you may be considering. It is an important document and you should read it in full. The securities and Options markets are volatile. Investments in securities and Option products involve a high degree of risk and are not suitable for all persons. Losses may be incurred as a result of movements in the Underlying Securities. If you are in any doubt as to the suitability of Options you should contact your financial adviser before entering into an Options contract.

Although the information in this PDS is up to date as at the date of publication, it is subject to change from time to time. Where such information is not materially adverse, we may provide updates on our website at www.morganstanley.com.au. A paper copy is also available on request at no charge to you.

We may also be required to issue a new PDS or a supplementary PDS as a result of certain changes, in particular where the changes are materially adverse to retail clients. Any supplementary PDS will be posted on our website at www.morganstanley.com.au. A paper copy will also be available on request at no charge to you.

PDS in two parts

This PDS is in two parts. The first part contains all information other than the Schedule of Fees. The second part contains the Schedule of Fees.

You should read both parts of the PDS before making a decision to trade in ETOs.

What products does this PDS cover?

This PDS relates to Options traded on the market operated by Australian Securities Exchange Limited (ABN 98 008 624 691) (**ASX**), and settled and cleared by ASX Clear Pty Limited (ABN 48 001 314 503) (**ASX Clear**).

ETOs include:

- **equity options:** options over quoted shares or interests in managed investment schemes of a range of different companies and managed investment schemes quoted on ASX¹.
- **index options:** options over an index such as the S&P™/ASX 200™ Index or the S&P™/ASX 200™ Property Trust Index.

In this PDS, equity options and index options are collectively referred to as “**Exchange Traded Options**”, “**ETOs**” or “**Options**”.

No company other than Morgan Stanley Wealth Management makes any statement or representation in this PDS.

Who is Morgan Stanley Wealth Management?

Morgan Stanley Wealth Management Australia Pty Ltd ABN 19 009 145 555, a leader in wealth management, provides a range of products and services to individual investors, institutions, superannuation funds, trusts, companies and other entities.

In Australia, Morgan Stanley Wealth Management is a Participant of ASX, a clearing participant of ASX Clear and a settlement participant of ASX Settlement.

¹ Note that ASX makes available for trading equity options over various financial products, including shares in companies and interests in managed investment schemes. For ease of reference, we will refer in this PDS to underlying shares, but investors should be aware that the underlying financial product may be another financial product in some cases.

Part 1

General Information about Options

An option is a contract that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a specified price on a predetermined date in the future.

TYPES OF EXCHANGE TRADED OPTIONS

The types of Exchange Traded Options traded on the market operated by ASX and available at Morgan Stanley Wealth Management include equity options and index options. These are each discussed briefly below:

EQUITY OPTIONS. Equity options are options over financial products quoted on ASX, for example shares of listed companies. These options are known as “deliverable” options in the sense that, on exercise, one party must take “delivery” of the underlying financial product.

INDEX OPTIONS. Index options are options over an index such as the S&P™/ASX 200™ Index. These options are known as “cash settled” options in the sense that, on exercise of an option, the Buyer (taker) of the option will have the right to receive an amount of money and the Seller (writer) will have a corresponding obligation to pay that amount (provided the option is “in-the-money”). The amount of money will be determined by the difference between the exercise level (set by ASX) and the Opening Price Index Calculation (OPIC) as calculated by ASX on the expiry date of the option. The OPIC is based on the first traded price of each constituent stock in the index on the expiry day (if a constituent stock does not trade on the expiry day, the last traded price from the previous trading day will be used). Cash settlement occurs in accordance with the rules of ASX Clear.

USES OF EXCHANGE TRADED OPTIONS

Exchange Traded Options are a versatile financial product which can allow investors to:

- hedge against fluctuations in their underlying share portfolio
- increase the income earned from their portfolio (through the earning of premium income)
- increase returns from leverage
- diversify their portfolio, and
- profit from market movements.

Their flexibility stems from the ability to both buy (take) and sell (write) an Exchange Traded Option contract and undertake multiple positions targeting specific movements in the overall market and individual underlying shares. Index options can be used to trade a view on the market as a whole, or on the sector of the market that is covered by the particular index.

The use of Exchange Traded Options within an investor's overall investment strategy can provide flexibility to take advantage of rising, falling and neutral markets. However, both the purchase and sale of Exchange Traded Options involves risks which are discussed in more detail later in this PDS.

UNDERSTANDING SOME CONCEPTS

Concepts which should be understood before trading in Exchange Traded Options are:

- the effect that time has on a position or strategy
- how volatility changes, both up and down, may affect the price or value of an option and the potential outcome
- how to calculate margins and worst-case scenarios for any position
- the likelihood of early exercise and the most probable timing of such an event
- the effect of dividends and capital reconstructions on an option position
- the liquidity of an option, the role of market makers, and the effect this may have on your ability to enter and exit a position.

While this PDS provides product information including information about the risks, characteristics and benefits of Options, investors should inform themselves and if necessary obtain advice about the specific risks, characteristics and benefits of the Option they intend to trade and relevant ASX rules.

ASX EDUCATIONAL BOOKLETS

ASX has prepared a number of educational booklets relating to Options and your financial adviser will have provided you with a copy of the relevant booklet as part of the process of opening an Options account.

Should you wish to access an electronic version, copies of these booklets are

available free of charge via the ASX website at <http://www.asx.com.au>.

This PDS refers to a number of ASX booklets, including:

- **“Understanding Options Trading”** – discusses the features and contract specifications of Exchange Traded Options, risks and advantages in trading options and gives examples of how Exchange Traded Options work and basic option trading strategies.

The direct link to this booklet is as follows: www.asx.com.au/documents/resources/UnderstandingOptions.pdf

- **“Option Strategies”** – describes in more detail how Exchange Traded Options may be used in various trading strategies.

The direct link to this booklet is as follows: www.asx.com.au/documents/resources/UnderstandingStrategies.pdf

- **“Margins”** – explains what margins are, how they are calculated by ASX Clear and how a Clearing Participant may meet its margin obligations to ASX Clear.

The direct link to this booklet is as follows: www.asx.com.au/documents/resources/UnderstandingMargins.pdf

The ASX website contains Options calculators, tools and trading information which may be useful to you. The link to these is as follows: <https://www2.asx.com.au/investors/learn-about-our-investment-solutions/asx-options-knowledge-hub/buying-and-selling/prices-tools-calculators-corporate-actions-and-notices>.

If you cannot access the ASX booklets via the ASX website, you should contact the ASX. If you would like a hard copy of the **“Understanding Options Trading”** booklet, please contact us and we will arrange to forward a copy of that booklet to you at no charge.

Basic Features of Exchange Traded Options

The following discussion is not intended to be a detailed discussion of the features of the Exchange Traded Options, but rather to identify some of the key features of Exchange Traded Options. For a more detailed description, you should refer to the ASX explanatory booklets referred to above.

STANDARDISED CONTRACTS

The terms and specifications of ASX's Exchange Traded Options (other than the premium, which is negotiated between the Buyer (taker) and Seller (writer)) are determined by ASX in accordance with ASX's rules.

Details of contract specifications for Exchange Traded Options are published by the ASX on their website. The contract specifications detail the key standardised features of Exchange Traded Options traded on ASX.

ASX determines the key contract specifications for each series of Exchange Traded Options.

For example, in the context of equity options, ASX sets the following:

- the underlying security (e.g. BHP)
- whether the option is a call option or a put option
- the contract size - the number of units of the underlying security to which the option relates. The contract size for equity options set by ASX is usually 100 (e.g. 100 BHP shares).
- exercise style – that is American style or European style
- the exercise price (or strike price) – is the specified price at which the Buyer (taker) of an equity option can, if they exercise the option, buy (in the case of a call option) or sell (in the case of a put option) the underlying securities
- the expiry date

Similarly, for index options, the relevant parameters will also be set by ASX, including the underlying index, the index multiplier, the exercise style (European), the exercise level intervals of the option and the expiry date. The contract size of index options is usually \$10 per index point.

Some of the concepts referred to above, such as contract size, exercise style, exercise price and expiry date are discussed in more detail below.

SELLERS (WRITERS) AND BUYERS (TAKERS)

Every Exchange Traded Option contract has both a Seller (writer) and a Buyer (taker).

Buyers of Exchange Traded Options are referred to as “takers” as they take up the right to exercise the option (for example, the right to exercise the option and either buy or sell the underlying shares at the exercise price, in the case of an equity option).

Sellers of Exchange Traded Options are also referred to as “writers” because they underwrite (or willingly accept) the obligations which are required to be performed on exercise of the option (for example, to buy or sell the underlying shares at the exercise price, in the case of an equity option).

CALL OPTIONS AND PUT OPTIONS

Exchange Traded Options may be call options or put options. The type of call options and put options will depend on whether the options are equity options or index options.

EQUITY OPTIONS

For illustrative purposes, the standard number of shares covered by one option contract on the ASX is 100. However, this may change due to adjustment events such as a new issue or a reorganisation of capital in the underlying share.

Call options give the Buyer (taker) the right, but not the obligation, to buy a standard quantity of underlying shares at a predetermined price on or before a predetermined date. If the Buyer exercises their right to buy, the Seller (writer) to which the exercise notice is assigned by ASX Clear is required to sell the standard quantity of shares at the predetermined exercise price.

Put options give the Buyer (taker) the right, but not the obligation to sell a standard quantity of underlying shares at a predetermined price on or before a predetermined date. If the Buyer exercises their right to sell, the Seller (writer) to which the exercise notice is assigned by ASX Clear is required to buy the standard quantity of shares at the predetermined exercise price.

INDEX OPTIONS

Call options give the Buyer (taker) the right, but not the obligation to exercise the option. If the closing level of the index exceeds the exercise level of the index option, the Buyer will, on exercise of the option, have the right to receive an

amount of money which 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, the Seller (writer) to which the exercise notice is assigned by ASX Clear is required to pay the corresponding amount.

Put options give the Buyer (taker) the right, but not the obligation to exercise the option. If the closing level of the index is less than the exercise level of the index option, the Buyer will, on exercise of the option, have the right to receive an amount of money which 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, the Seller (writer) to which the exercise notice is assigned by ASX Clear is required to pay the corresponding amount.

EXERCISE STYLE – AMERICAN OR EUROPEAN

Exchange Traded Options may be American or European exercise style. **American style** options can be exercised at any time prior to and including the expiry day. **European style** options can only be exercised on the expiry day and not before. ASX exchange traded equity options can be American style or European style options. ASX exchange traded index options are European style.

PREMIUM

As noted, the only term of an option contract an investor trades on ASX which is not set and pre-determined by ASX is the price of the contract. The price, known as the “Premium” is negotiated between the Buyer (taker) and Seller (writer) of the ETO through the market.

The premium for an equity option is quoted on a cents per underlying share basis so the dollar value payment is calculated by multiplying the premium amount by the number of underlying shares (which, as discussed above is usually 100 at the time the option series is opened, but may be adjusted by ASX). For example, if you buy a call option with a premium quoted at 25 cents per share and the contract size is 100, the total premium is \$25.00 (being 0.25×100).

The premium for an index option is calculated by multiplying the premium (specified in terms of the number of points of the index) by the index multiplier. For example, a premium of 30 points, with an index multiplier of \$10.00, represents a total premium cost of \$300 per contract.

The value of an option will fluctuate during the option’s life depending on a range of factors including the exercise price or, the price of the underlying share or the level of the underlying index, the volatility of the underlying share or the underlying index, the time remaining to expiry date, interest rates, dividends and general risks applicable to markets.

Most option pricing involves the use of a mathematical formula which includes calculating the intrinsic and time value of the particular option. You should refer to the section entitled “Option pricing fundamentals” in the ASX booklet, “**Understanding Options Trading**”.

You can obtain current price information from your financial adviser at Morgan Stanley Wealth Management.

For further information on trading index options and examples on how trading index options can work for you, refer to the ASX booklet, “**Understanding Options Trading**”.

ADJUSTMENTS

ASX may in accordance with its rules make an adjustment to any of the specifications of an option to reflect corporate actions in respect of the underlying shares, for example if the issuer makes a bonus issue, rights issue, special dividend, capital reduction or other similar event. If ASX does make an adjustment it will endeavour to do so in a way which puts the Seller (writer) and Buyer (taker) in substantially the same economic position they would have been in had the adjustment event not occurred, so as to preserve the value of open positions of Buyers and Sellers at the time of the adjustment. In some cases, ASX may decide not to make an adjustment for a corporate action and, instead, direct that open positions be terminated or closed-out. When ASX makes an adjustment to the terms of an option series, ASX Clear will make a corresponding adjustment to the terms of contracts which are already open.

ASX has issued an Explanatory Note for Option Adjustments that provides further information regarding ASX option adjustments which can be found on their website.

NO DIVIDENDS OR ENTITLEMENTS

The parties to an equity option do not, under the terms of the option, have any entitlement to dividends, franking credits or other entitlements paid or made by the issuer of the underlying shares. Of course, the Seller (writer) of a call option or the Buyer (taker) of a put option who holds the underlying shares will have an entitlement to dividends, franking credits and other entitlements, but these are entitlements of the holders of the shares, not through the option contract.

If the Buyer of a call option wants to participate in a prospective dividend or entitlement, the Buyer will need to first exercise the option, allowing sufficient time to become the registered holder prior to the Ex Dividend or Ex Entitlement date. The resulting sale and purchase of underlying shares on the exercise of an equity option will settle on the second business day following the exercise of the option (refer below to “**Settlement following exercise of Exchange Traded Option**”).

EXPIRY

ETOs have a limited life span. All ETOs have an expiry month, which generally follow one of three cycles, namely:

- January/April/July/October
- February/May/August/November
- March/June/September/December.

The options expire on a specified day in the expiry month, as determined by ASX. For equity options, the option generally expires on the Thursday proceeding the last Friday in the expiry month, as long as both the Thursday and Friday are full business days. Therefore if the last day of the month is a Thursday the option will expire on the Thursday prior. Index options expire on the third Thursday of the contract month provided that day is a business day. ASX Clear has the right to change these expiry dates should the need arise.

EXERCISE BY THE BUYER AND ASSIGNMENT TO THE SELLER

The Buyer (taker) of an Exchange Traded Option has the right (but not the obligation) to exercise the option contract. This means that the Seller (writer) of an Exchange Traded Option may be exercised against at any time prior to expiry (American style only). When the Buyer exercises an option, ASX Clear will randomly assign that exercise to an open position held by a writer in the relevant option series.

AUTOMATIC EXERCISE

We will automatically exercise your taken ETO contract if your contract is one cent in the money or one point for indexes. For call options the option will be in the money where the exercise price is below the price of the underlying shares. For put options the option will be in the money where the exercise price is higher than the price of the underlying shares. All unexercised option contracts will expire on the expiry date.

DELIVERABLE OR CASH SETTLED

Exchange Traded Options are either deliverable or cash settled.

Options are described as **deliverable** where the obligations of the Buyer (taker) and Seller (writer) are settled by the “delivery” of the underlying shares. Equity options are deliverable, because on exercise, one party is required to transfer the underlying shares to the other at the exercise price.

Options are described as **cash settled** where the obligations of the Buyer and Seller are settled by the payment and receipt of a cash amount. Index options are cash settled.

SETTLEMENT FOLLOWING EXERCISE OF EXCHANGE TRADED OPTION

When an equity option is exercised by a Buyer (taker), and the exercise is assigned by ASX Clear to an open position of a Seller (writer), a contract for the sale and purchase of the underlying shares at the exercise price will arise between the Seller and the Buyer. The parties to this transaction must then settle that transaction in the same way as any other ASX transaction.

Payment for, and the delivery of underlying shares occurs via ASX Clearing House Electronic Sub-register

System (CHESS). CHESS is operated by ASX Settlement Pty Ltd, the settlement facility for ASX transactions and settlement will occur in accordance with the ASX Settlement Operating Rules. Your obligations in relation to settlement are set out in Morgan Stanley Wealth Management’s General Terms of Business.

Index options are cash settled. When an index option is exercised by a Buyer, and the exercise is assigned by ASX Clear to an open position of a Seller, the Seller of the option must pay the cash settlement amount to ASX Clear. That amount will be determined by the difference between the exercise level (set by ASX) and the Opening Price Index Calculation (OPIC) as calculated by ASX on the expiry date. Cash settlement occurs in accordance with the rules of ASX Clear. For more information on settlement of index options see the section entitled “Trading index options” in the ASX booklet, “**Understanding Options Trading**”.

TIME FOR PAYMENTS TO US

The terms of our client agreement with you specify the time by which you are required to make all payments to us, whether they be payments of premiums, settlement amounts or margins to be made by T + 1. Please refer to discussion of margins on page 8.

COOLING OFF PERIOD

There are no cooling-off arrangements for Exchange Traded Options.

OPTION CONTRACTS WHICH ARE OPEN FOR TRADING

Full details of all Exchange Traded Options listed on ASX and expiry date information can be found on the ASX website or alternatively through information vendors or newspapers.

A list of current option codes and delayed price information is available on the ASX website.

If you cannot access the information, please contact us and we will arrange to provide you with the details.

OPENING AN EXCHANGE TRADED OPTION POSITION

Unlike shares, Exchange Traded Options are not instruments which a person buys or sells in the ordinary sense. ASX sets the terms of the Exchange Traded

Options and, if we enter into a contract for you as Buyer (taker) or Seller (writer), we are regarded as having “opened” the contract for you.

If you have opened a position as the Buyer of an Exchange Traded Option, you have three alternatives:

- you can exercise the option.
- you can hold the option to expiry and allow it to lapse.
- you can close-out the position by selling an option in the same series and instructing us to “close-out” the open position.

Similarly, if you have opened a position as the Seller of an Exchange Traded Option, you have two alternatives:

- you can let the option go to expiry and risk being exercised against (if it is not exercised against, it will expire without any further obligation or liability on the Seller).
- you can close-out the option by buying an option in the same series (provided it has not been exercised against).

CLOSING OUT AN EXCHANGE TRADED OPTION POSITION

An Exchange Traded Option may be “closed-out” by entering into an option in the same series, but in the opposite position. In other words, if you have an open position in an option as a Buyer (taker), you can close-out that position by entering into an option in the same series as a Seller (writer). This effectively cancels out the open position. For example, an investor might close-out an open option contract in the following scenarios:

- the Seller of an option may want to close-out the option (by taking an option in the same series) to avoid the risk of having a Buyer’s exercise notice allocated to the Seller’s option.
- the investor may want to take a profit. For example, the Buyer of a call option may have paid a premium of \$1 per option, and the same option series may now be able to be sold for a premium of \$1.20, because the price of the underlying shares has increased. The Buyer may therefore close-out his or her position by selling an option

in the same series, profiting from the difference of \$0.20 per option.

- the investor may want to limit a loss. For example, the Buyer of a call option may have paid a premium of \$1 per option, and the same option series may now be able to be sold for only \$0.80, because the price of the underlying shares has decreased or because the time to expiry has reduced. The Buyer may therefore close-out his or her position by selling an option in the same series, crystallising a loss of the difference of \$0.20 per option.

It is important that you advise us if you are seeking to “close-out” an existing position when placing your order.

INFORMATION ON TRADING STRATEGIES

For information and examples regarding trading strategies using Exchange Traded Options, refer to the pay off diagrams in Part 4 of this document and the “Pay-off” section in the ASX booklet, “**Understanding Options Trading**” available on the ASX website.

Clearing and Settlement Arrangements

ETOs are traded on the ASX’s trading platform and cleared through ASX Clear. Participants of ASX must comply with the ASIC Market Integrity Rules, and the ASX Operating Rules. Participants who clear option contracts must comply with the operating rules of ASX Clear (ASX Clear Operating Rules). Morgan Stanley Wealth Management is a participant of ASX and a clearing participant of ASX Clear. The clearing house for ASX traded options is ASX Clear which is a licensed clearing and settlement facility under the Corporations Act.

THE ROLE OF ASX CLEAR

All Exchange Traded Options traded for you by us will be cleared by ASX Clear, subject to ASX Clear Operating Rules. When we enter into an Exchange Traded Option for you, the transaction is reported to ASX Clear for registration. On registration of a contract by ASX Clear, the original traded contract is terminated and replaced by two contracts, known as Derivatives CCP Contracts. One contract is between the Clearing Participant who clears the contract for the Buyer (taker) of

the option and ASX Clear. The other contract is between the Clearing Participant who clears the contract for the Seller (writer) of the option and ASX Clear. This process of registration and creation of two Derivatives CCP Contracts is known as “novation” and is described briefly in the section entitled “You and your broker” in the ASX booklet, “**Understanding Options Trading**”.

You, as the client, are not party to either of those contracts actually registered with ASX Clear. Although we may act on your instructions or for your benefit, upon registration of the Exchange Traded Option with ASX Clear in our name as the Clearing Participant, we incur obligations to ASX Clear as principal, even though the Exchange Traded Option may have been entered into on your instructions.

MARGINS

As ASX Clear contracts with Clearing Participants as principals, where a Clearing Participant has an exposure under an Exchange Traded Option contract to ASX Clear, ASX Clear will call amounts of money known as “Margin” from the Clearing Participant as cover. Margins are generally a feature of all exchange traded derivative products and are designed to protect ASX Clear against default. A margin is the amount calculated by ASX Clear as necessary to cover the risk of financial loss on an Exchange Traded Option contract due to an adverse market movement.

The Seller (writer) of an Exchange Traded Option will ordinarily be required to pay margin in respect of that contract or provide collateral acceptable to ASX Clear. This is because ASX Clear is exposed to the risk that the Seller will not perform its obligations if and when the option is exercised. The Buyer (taker) of an Exchange Traded Option will not be required to pay margin in respect of that contract, because they are not “at risk” – they must pay the premium up front and that is the maximum amount the Buyer of the option can lose in respect of that contract (plus transaction costs).

The total margin called by ASX Clear for Exchange Traded Options is made up of two components, in each case, determined by ASX Clear:

- **premium margin** – the market value of the particular position at the close of business each day.
- **risk margin** – the potential change in the price of the option contract assuming the assessed maximum probable inter-day movement in the price of the underlying security or index.

Amounts of margin are determined daily by ASX Clear, following the close of trading each day. In times of extreme volatility an intra-day margin call may be made by ASX Clear.

We will, under the terms of our agreement with you, call from you all amounts of margin which ASX Clear calls from us in respect of positions which we have entered into for you. We may also call for greater amounts of margin if we regard this as appropriate.

ADDITIONAL MARGINS. We may, at our discretion, assign an additional margin buffer to each account to be paid to us above those set by ASX Clear. We may, at our discretion, assign a maximum margin limit to each account. You will need to ensure the account's total margin does not exceed the account's margin limit.

ASX CLEAR SUBPOSITIONS

If you arrange with ASX Clear to lodge Financial Products in your Holdings as Derivatives Cover, and inform us of the arrangement, you:

- authorise us to reserve the Financial Products in the ASX Clear subposition so that the Financial Products come under the control of ASX Clear and are subject to the security interest granted in favour of ASX Clear to secure the performance by the relevant Clearing Participant of its obligations to ASX Clear under and in accordance with the Clear Operating Rules;
- authorise any subsequent dealing (including, without limitation, any Transfer) of the reserved Financial Products in accordance with the Rules, including the Clear Operating Rules;
- acknowledge that the Financial Products will remain subject to that security interest for so long as those Financial Products remain reserved in the ASX Clear subposition in accordance with the Clear Operating Rules; and

(d) authorise us to take whatever other action is reasonably required by ASX Clear in accordance with the Rules to give effect to that arrangement.

Where you arrange with any person to give a charge or any other interest in financial products in your Holdings, you authorise us to take whatever action is reasonably required by the person in accordance with the Rules to give effect to that arrangement.

You acknowledge that where, in accordance with this Agreement and/or your instructions, we initiate any action which has the effect of creating a subposition over Financial Products in your Holdings, your right to transfer, convert or otherwise deal with those Financial Products is restricted in accordance with the terms of the Rules relating to subpositions.

Nothing in this Agreement operates to override any interest of ASX Clear in the Financial Products.

COLLATERAL

ASX Clear margin obligations may be met by paying cash or by providing certain types of eligible collateral (e.g. shares). Shares (held by you) which are acceptable to ASX Clear may be lodged with ASX Clear as collateral for margin obligations relating to Exchange Traded Option positions. When shares are lodged with ASX Clear, the shares are held by ASX Clear as 'third party security' in the sense that they represent collateral provided by you to secure our obligations as Clearing Participant to ASX Clear. The lodged shares cannot be used by us in relation to our dealings or for our other clients in relation to their dealings unless authorised by you.

As a risk management tool, ASX Clear may apply a 'haircut' in relation to the value of collateral lodged. For example, if you lodge \$10,000 worth of collateral and ASX Clear applies a 30% haircut, only \$7,000 will be considered as collateral cover for any margin obligations.

The margining process used by ASX Clear is explained in detail in the ASX booklet, "**Margins**" which is available on the ASX website.

You must pay margin to us, or provide alternative collateral which is acceptable to us, by 3pm on the business day following a call for margin. Any interest levied on late settlement and margin payments is due and receivable at the time the amount is levied and within one business day of the demand being made by Morgan Stanley Wealth Management.

CLIENT TRUST ACCOUNTS

The Corporations Act provides that your money held in our trust account can be used for the purposes of meeting margin obligations, guaranteeing, securing, transferring, adjusting or settling dealings in derivatives.

NATIONAL GUARANTEE FUND

The National Guarantee Fund (NGF) provides investors with protection in the following circumstances:

- if an equity option is exercised, the NGF guarantees completion of the resulting trades in certain circumstances; and
- if you have entrusted property to us in the course of dealing in Exchange Traded Options, and we later become insolvent, you may claim on the NGF, in accordance with the rules governing the operation of the NGF, for any property which has not been returned to you or has not otherwise been dealt with in accordance with our obligations to you.
- There are limits on claims to the NGF for property entrusted.

For more information on the possible protections offered by the NGF see www.segc.com.au.

Benefits of Exchange Traded Options

Exchange Traded Options have a number of advantages. These include the following:

HEDGING. Investors can hedge (protect) their share portfolio against a drop in value by, for example, buying (taking) equity put options over particular shares.

INCOME. Shareholders can earn income by selling (writing) call options over underlying shares they already hold. As a Seller (writer) of options, the investor will receive the premium amount up front, when the option is entered into. However, the Seller will need to maintain

margin obligations throughout the life of the options position and could be exercised against. This exercise will result in the Seller being required to deliver the underlying shares to the Buyer (taker) at the exercise price.

TIME TO DECIDE. By buying (taking) a call option, the purchase price for the underlying shares is locked in. This gives the call option holder time to decide whether or not to exercise the option and buy the shares. The holder has until the expiry date to make his or her decision. Likewise the Buyer (taker) of a put option has time to decide whether or not to sell the shares.

REDUCE DEFAULT RISK. Exchange Traded Options benefit from standardisation and registration with a clearing and settlement facility which reduces counterparty default risk. The Clearing Participant's risk is to ASX Clear, not to a third party. This process also provides the benefit that an open position can be closed-out without having to deal with the original counterparty.

SPECULATION. Exchange Traded Options can be used for speculation where the flexibility of entering and exiting the market prior to expiry (subject to liquidity) permits an investor to take a view on market movements and trade accordingly. In addition, the variety of option combinations allows investors to develop strategies regardless of the direction of the market.

PROFIT IN A RISING OR FALLING MARKET. Investors can profit from both rising and falling markets depending on the strategy they have employed. Strategies may be complex and will have different levels of risk associated.

LEVERAGE. Trading in options can allow investors to benefit from a change in the price of the share without having to pay the full price of the share. An investor can purchase an option (representing a larger number of underlying shares) for less outlay and still benefit from a price move in the underlying shares. The ability to make a higher return for a smaller initial outlay is called leverage. Investors however, need to understand that leverage can also produce increased risks.

DIVERSIFY PORTFOLIOS. Given the lower initial outlay attached to options, investors can diversify their portfolios and gain broader market exposure over a range of shares or the index itself.

Risk Disclosure Statement for Options

The risk of loss in trading in Options can be substantial. It is important that you carefully consider whether trading Options is appropriate for you in light of your investment objectives and financial circumstances. Options are not suitable for some retail investors. You should only trade Options if you understand the nature of the products and the extent of your exposure to risks. The risks attached to investing in Options will vary in degree depending on the option traded.

This PDS does not cover every aspect of risk associated with Exchange Traded Options. For further information concerning risks associated with Exchange Traded Option trading please refer to the ASX booklet, "Understanding Options Trading" and in particular the section entitled "Risks of options trading".

PRICE SENSITIVE ANNOUNCEMENTS. As a general rule, price movements in the underlying share can significantly affect the value of Exchange Traded Options. The value of the underlying share is affected by information that is announced to ASX in relation to the share. Accordingly, it is advisable that an investor in Exchange Traded Options regularly reviews information announced to the exchange in relation to relevant underlying shares. Price sensitive announcements in relation to shares are available on the ASX website.

HIGH LEVERAGE. The high level of leverage that is obtainable in trading Exchange Traded Options (due to the low level of initial capital outlay) can work against an investor as well as for the investor. Depending on the market movement, the use of leverage may lead to large losses as well as large gains.

LIMITED LIFE SPAN. Exchange Traded Options have a limited life span as their value erodes as the option reaches its expiry date. It is therefore important to ensure that the option selected meets the investor's investment objectives.

MARKET MOVEMENTS. Exchange Traded Options are subject to movements in the underlying market. Options may fall in price or become worthless at or before expiry.

LOSS OF PREMIUM FOR BUYERS. The maximum loss in buying (taking) an Exchange Traded Option is the amount of premium paid plus transaction costs. If the option expires worthless, the Buyer (taker) will lose the total value paid for the option (the premium) plus transaction costs.

WRITING CALL OPTIONS OVER EXISTING STOCK HOLDINGS AND BUY/WRITE STRATEGIES. The maximum profit from the call option you can make is the premium received from writing the call. You risk forgoing any opportunity to benefit from any increase in the value of the underlying share price above the strike price of the call option sold. If you are assigned, you must sell the underlying share at the strike price. There remains the risk that the value of the share held will decline.

LOSS OF MARGIN FOR SELLERS. Sellers of options could sustain a total loss of margin funds deposited with their broker where the market moves against the option position. In addition, the Seller (writer) may be obligated to pay additional margin funds (which may be substantial) to maintain the option position or upon settlement of the contract. Margin is discussed on page 8.

MARGIN CALLS. Your liability in relation to a written option contract is not limited to the amount of the margin paid. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position, or upon settlement of contracts. If you fail to comply with a request for additional funds within the time prescribed, Morgan Stanley Wealth Management may close-out your position and you will be liable for any loss that might result.

CLOSE-OUT DIFFICULTIES. Under certain conditions, it could become difficult or impossible to close-out a position and the relationship between the price of Exchange Traded Options contract and the underlying share may be distorted. Examples of when this may happen are:

- if there is a significant change in the price of the underlying share over a short period of time
- if there is an absence or reduction in the number of willing Buyers (takers) and Sellers (writers) in either the Exchange Traded Options market or the underlying market
- if the market is suspended or disrupted for any reason.

UNDERLYING MARKET. Similarly, events such as these in relation to the underlying market for the share may make it difficult for you to hedge or maintain your exposure under an open Exchange Traded Option contract.

ASX POWERS. The ASX and ASX Clear have discretionary powers in relation to the market and the operation of the clearing facility. They have power to suspend the market operation, or lift market suspension in options while the underlying securities are in trading halt if the circumstances are appropriate, restrict exercise, terminate an option position or substitute another underlying security (or securities), impose position limits or exercise limits or terminate contracts - all to ensure fair and orderly markets are maintained as far as practicable. These actions can affect an investor's option positions.

TRADING DISPUTES. Trades effected on the ASX may be subject to dispute. When a trade is subject to a dispute the ASX has powers, in accordance with its rules, to request that a broker amend or cancel a trade, which will in turn result in the contract with the client being amended or cancelled. In some situations, ASX may also exercise powers to cancel or vary, or direct the cancellation or variation, of transactions.

TRADE AMENDMENTS AND CANCELLATIONS. Under our General Terms of Business, we have the ability to amend or cancel the trade. This could cause you to suffer loss or increase your loss. A trade executed on your behalf can also be amended or cancelled even where the trade has been confirmed to you.

SYSTEM OUTAGES. Trades effected on the ASX are traded on an electronic trading platform and cleared through ASX Clear, which also relies on electronic systems. As with all such

electronic platforms and systems, they may be subject to failure or temporary disruption. If the system fails or is interrupted we will have difficulties in executing all or part of your order according to your instructions. An investor's ability to recover certain losses in these circumstances will be limited given the limits of liability imposed by the ASX and ASX Clear. Any market disruption may mean a client is unable to deal in Exchange Traded Options when desired, and as a result a client may suffer a loss. Common examples of disruption include a fire or other exchange emergency. The exchange could, for example, declare that an undesirable situation has developed in a particular Exchange Traded Option contract and suspend trading. Exchanges or Participants may also be able to cancel transactions under their rules.

CAPITAL LOSS. By trading in Exchange Traded Options, you are exposed to the risk of losing capital. Investors should not risk more capital than they can afford to lose. A good general rule is never to speculate with money which, if lost, would alter your standard of living.

CORPORATE ACTIVITY IN UNDERLYING SHARE. Where corporate activity (e.g. takeover, bonus issue, rights issue etc) occurs in the underlying share, this will have an effect on open Exchange Traded Option positions over that stock. Morgan Stanley Wealth Management has no control over the effect of the corporate activity on open Exchange Traded Option positions and cannot foresee the specific risk or outcome as this is determined by ASX at the time of the corporate activity in question.

WHAT ARE THE COSTS?

Refer to Section 2 for the Schedule of Fees.

PREMIUM. If you are the Buyer (taker) of an Exchange Traded Option, you will be required to pay a premium in connection with the purchase of the Exchange Traded Option contract.

If you are the Seller (writer) of an Exchange Traded Option, you will be entitled to receive a premium in connection with the sale of the Exchange Traded option contract.

For further detailed information on the premium in respect of an Exchange Traded Options contract, refer to the section "Option Pricing Fundamentals" of the ASX booklet, "**Understanding Options Trading**" and also the ASX's "Options Calculator" available on the ASX website.

MARGIN AND COLLATERAL. If you are the Seller (writer) of an Exchange Traded Options contract, you will be required to provide margin, and in certain circumstances collateral, to ASX Clear in accordance with the terms of your agreement with us.

For further detailed information on margin and collateral requirements, refer to the ASX "**Margins**" booklet available on the ASX website.

BROKER ADDITIONAL MARGIN REQUIREMENTS. Details of any further margin requirements that we may request are discussed in the "Additional Margins" section on page 9 of this PDS.

LIABILITY

For Buyers (takers) trading options may result in a loss situation if the options are trading "out-of-the-money" (for call options where the exercise price is higher; or lower for put options, than the current market price), however the amount of the loss for a taker is limited to the premium paid. However, the liability of a Seller (writer) is potentially unlimited.

AUTHORITY FOR DIRECT DEBIT OR CREDIT

To meet the costs of trading options, Morgan Stanley Wealth Management requires all options clients to provide authority for Morgan Stanley Wealth Management to pay funds directly into, or take funds directly from your designated bank or cash account. See the Client Agreement Form at the back of this brochure for further information.

Tax Summary

The information below is based on existing tax law and established interpretations as at the date of this PDS.

The taxation information provided below is intended as a brief guide only and does not cover every aspect of taxation related with the use of Exchange Traded Options. The information applies to Australian resident investors only. It is important to note that your tax

position when trading Exchange Traded Options will depend on your individual circumstances, in particular whether you are trading on revenue or capital account.

The taxation of options can be complex and may change over time. Accordingly, you are recommended to seek professional tax advice before entering into or disposing of an Exchange Traded Option.

Morgan Stanley Wealth Management and its employees aren't able to give tax or legal advice. You shouldn't use or rely on this information solely when making decisions about your investments. You should always seek advice based on your particular circumstances from an independent tax adviser.

RULES FOR THE TAXATION OF FINANCIAL ARRANGEMENTS

The Taxation of Financial Arrangements (TOFA) rules affect the way in which gains and losses arising from financial arrangements are taxed. The TOFA rules apply to taxpayers who satisfy various thresholds or, in the case of individuals, make certain elections. To the extent that the TOFA rules apply to you and the financial arrangements that you hold, the TOFA rules will determine the way in which your gains and losses arising from your financial arrangements are taxed and the tax implications described above should be disregarded.

Whether ETOs covered by this PDS qualify as financial arrangements for the purposes of the TOFA rules and how the TOFA rules then apply can depend on various factors. A key factor is whether the ETO will be cash settleable for the purposes of the TOFA rules. If the ETO is cash settleable, the TOFA rules should apply to the ETO, regardless of the TOFA tax timing elections (refer below) that the holder of the ETO may have made.

If an ETO is not cash settleable, it can also be a financial arrangement if it involves a legal or equitable right or obligation to receive or provide an interest that is equity for tax purposes (even if that right or obligation is contingent). Where this is the case, the TOFA rules should not apply to the ETO unless the holder of the ETO makes certain valid TOFA elections and the ETO is designated as

valued at fair value through profit and loss for accounting purposes.

Briefly, the rules:

- will generally deem gains and losses from financial arrangements to be on revenue account
- are likely to impact on the timing of the recognition of the gains and losses
- may cause unrealised gains and losses to become subject to tax

Below is a brief summary of the rules. The TOFA rules are complex and it is strongly recommended that you seek specific tax advice on the application of the rules to your dealings.

WHO WILL THE TOFA RULES APPLY TO?

Generally, the TOFA rules apply to most entities, other than individuals, if they satisfy various thresholds. To the extent that an entity does not satisfy these thresholds, TOFA may still apply to the entity if it makes a valid election for the TOFA rules to apply.

In the case of an individual who holds an ETO, the TOFA rules should not apply to determine the taxation of the ETOs gains and losses unless the individual makes a valid election for the TOFA rules to apply to them.

WHEN WILL THE TOFA RULES COMMENCE?

Generally, the TOFA rules apply to financial arrangements that the taxpayer started to hold in the first income year commencing on or after 1 July 2010. However, taxpayers could have elected for the rules to apply to financial arrangements the taxpayer started to hold in the first income year commencing on or after 1 July 2009.

If the taxpayer has a substituted accounting period for tax purposes, a later date may apply, e.g. if the taxpayer has a 31 December year end, the TOFA rules will apply to financial arrangements the taxpayer started to hold on or after 1 January 2011 (or from 1 January 2010 by election).

Notwithstanding the above, a taxpayer may elect for the TOFA rules to apply to the financial arrangements that the taxpayer held prior to the commencement of the application of the TOFA rules to the extent that the taxpayer makes a valid election. Making this election in the approved form and within the required time frame should

result in the TOFA rules applying to a taxpayer's financial arrangements held as at the relevant start date for application of the TOFA rules.

HOW WILL THE TOFA RULES IMPACT ON THE TAXATION OF ETOS?

The following comments assume that you are subject to the TOFA rules (refer above). As discussed above, the way in which TOFA will apply to tax your ETO gains and losses will depend upon whether the ETO is cash settleable. Whether an ETO that you hold is cash settleable will depend on a number of factors which are specific to your circumstances, including how you intend to satisfy or settle the rights and obligations arising from the ETO.

For further guidance in relation to whether an ETO may be cash settleable, we recommend that you obtain independent professional advice, specific to your circumstances.

ETOS THAT ARE CASH SETTLEABLE. If you hold an ETO that is cash settleable and did not choose to apply any of the elective methods, the rules should treat most of the gains and losses from the ETO on a realisation basis.

If you have chosen to apply any of the elective methods, the way in which TOFA rules will apply to tax your gains and losses will depend on various factors, including the elective methods that you have chosen and whether the ETO satisfies certain accounting requirements.

ETOS THAT ARE NOT CASH SETTLEABLE.

If you hold an ETO that is not cash settleable, the TOFA rules should not apply to the ETO unless:

- the ETO involves a legal or equitable right or obligation to receive or provide an interest that is equity for tax purposes, such as a share.
- you validly make either the fair value or financial report elections; and
- the ETO is valued at fair value through profit and loss for accounting purposes.

If these requirements are satisfied, unrealised gains and losses in relation to the ETO may be subject to tax.

For further details in relation to the application of the TOFA rules to ETOs, investors should obtain independent

professional advice, specific to their circumstances.

If the TOFA rules do not apply, please refer to the following section for the Australian tax implications.

IMPLICATIONS FOR AUSTRALIAN RESIDENT INVESTORS

REVENUE ACCOUNT. Seller of the

option: Where a Seller (writer) of an option sells (writes) an option in the ordinary course of business or the option has been sold over an underlying revenue asset, the option will be treated as being on revenue account.

The premium received by the Seller of the option will be assessable on a due and receivable basis. Where any premium is credited to the Seller's ASX Clear account the amount will still be assessable on this basis.

Any subsequent margin calls are not deductible when they are deposited by the Seller into their ASX Clear account. These margins will merely reduce any net position of the Seller upon the close-out, settlement or exercise of the option by the Buyer (taker).

Where interest is received by the Seller on the margins held in their ASX Clear account, this is required to be included in the Seller's assessable income.

Buyer of the option: A Buyer (taker) will generally hold an option on revenue account when it is held or traded in the ordinary course of business, or the option is used to hedge an underlying revenue asset.

Where this is the case, any premium paid by the Buyer is generally regarded as being deductible on a due and payable basis. This will generally be at the time the option is entered into.

Where an option on revenue account lapses, there are no further tax implications. However, where an option on revenue account is exercised, the option strike price will form part of the acquisition cost or disposal proceeds for the underlying asset in question.

Alternatively, where the option is closed-out prior to its expiration, any gain or loss on the option position will be treated as assessable or deductible as the case may be.

CAPITAL ACCOUNT. Seller of the

option: Where a Seller (writer) sells (writes) an option over an underlying capital transaction, the option will be held on capital account. Consequently, any income tax implications will be determined in accordance with the Capital Gains Tax (CGT) provisions.

The premium received by the Seller of the option will give rise to an assessable capital gain on a received or a receivable basis. Where any premium is credited to the Seller's ASX Clear account the amount will still be assessable on this basis.

Any subsequent margin calls will merely reduce any net position of the Seller upon the close-out, settlement or exercise of the option by the Buyer (taker).

Where interest is received by the Seller on the margins held in their ASX Clear account, this is required to be included in the Seller's assessable income.

Exercise of a call option: Where a call option is exercised, the option premium and the proceeds on the sale of the underlying asset should be treated as a single transaction. Accordingly, both the premium and the proceeds received will form part of the Seller's capital proceeds for CGT purposes.

This may have practical implications for the Seller of options where the premium and sale proceeds are received in different financial years.

Exercise of a put option: Where a put option is exercised, the option premium paid and exercise price will form part of the cost base of the underlying asset for the investor. Accordingly, both the premium and the strike price paid will form part of the Seller's cost base of the underlying asset for CGT purposes.

This may have practical implications for the Seller of options where the premium is received in a different financial year to the payment of the strike price and acquisition of the underlying capital asset.

Buyer of the option: A Buyer (taker) will generally hold an option on capital account where an underlying capital transaction is being hedged. Consequently, any income tax implications will be determined in accordance with the CGT provisions.

At the time the premium is paid, there are no taxation consequences for the Buyer in respect of any premium paid for options which are held on capital account.

Where an option on capital account lapses, the Buyer will realise a capital loss at this time, equal to the amount of the premium paid.

When an option is settled or closed-out, the Buyer will realise a capital gain or loss depending on the amount paid (being the premium plus any incidental costs) for the option and the amount received on settlement.

Exercising a call option: Where a call option is exercised, the option premium and exercise price will form part of the cost base of the underlying asset for the Buyer.

Exercising a put option: Where a put option is exercised, the Buyer will generally deduct the option price from the proceeds received on the disposal of the underlying asset.

Dispute resolution

HOW DOES MORGAN STANLEY WEALTH MANAGEMENT DEAL WITH COMPLAINTS ABOUT OPTIONS?

Morgan Stanley Wealth Management is committed to a high level of client service and have established procedures to respond to any concerns or complaints promptly, fairly, consistently and in a professional manner.

If you have concerns about the products or services provided to you, we encourage you to discuss the matter with your financial adviser or their State Manager.

If you are not satisfied with the response you receive, you can call Morgan Stanley Wealth Management on 1800 008 161 or email confidential_feedback@morganstanley.com and provide details of your complaint to the Compliance Manager. You may also send us a written complaint, addressed to:

The Compliance Manager
Morgan Stanley Wealth Management
Level 26 Chifley Tower
2 Chifley Square,
Sydney, NSW 2000

EXTERNAL COMPLAINT SERVICES AND REGULATORY BODIES

If you are unhappy with our proposed resolution, you may have the right to take your complaint to the Australian Financial Complaints Authority (“AFCA”).

For more information relating to AFCA, please contact:

Australian Financial
Complaints Authority (AFCA)
Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678

In writing to:

Australian Financial
Complaints Authority
GPO Box 3, Melbourne VIC 3001

PDS UPDATES

Morgan Stanley Wealth Management may update information in this PDS. You may access this updated information via the internet at www.morganstanley.com.au or you may request a paper copy of this information free of charge from your financial adviser. The information which Morgan Stanley Wealth Management will make available by way of these updates is subject to change from time to time and will not be information which is materially adverse to investors.

ENVIRONMENTAL, SOCIAL OR ETHICAL CONSIDERATIONS

Options are generally an income generation, capital protection or speculative financial product.

Labour standards, environmental, social or ethical considerations have not been taken into account in relation to these financial products.

Part 2

Schedule of Fees

This document forms part of the PDS for Exchange Traded Options. This document should be read in conjunction with Part 1 of the PDS which describes the Exchange Traded Option products traded by us.

Our Fees and Charges

The following information relates to the way we charge for entering into Exchange Traded Options for you, associated costs and the way your financial advisers are remunerated.

BROKERAGE

Morgan Stanley Wealth Management brokerage is calculated as a percentage of the premium paid or received, or as a flat fee. However, in some circumstances a minimum fee may apply, as agreed with your financial adviser.

For example, if there is brokerage of 1% and the premium paid or received was \$10,000, the brokerage fee exclusive of GST would be \$100. The total fee charged would be \$110 inclusive of GST.

MARGIN REQUIREMENTS

Margin is discussed in Part 1 of the PDS. Refer to Margins on page 8.

GOODS AND SERVICES TAX (GST)

GST will be charged on all brokerage and fees at the rate of 10%.

ASX CLEAR FEES

ASX Clear charges an Option registration fee that is based on five tiers linked to the value of the Underlying Securities.

ASX will review each Underlying Security every 6 months and assign the Underlying Security to one of the five tiers, for the next 6 months. The exception to this is if there is a significant move in the Underlying Security's value (e.g. corporate action such as a share split), which could result in the Underlying Security being moved to a new tier outside of the 6 monthly cycle.

In addition to the fee tiers shown in table 1 on the following page, ASX charges a registration fee of 0c for single stock options with a premium of 1c or under. There is also a large volume rebate as per the table above, which is calculated by the ASX and payable after the end of each calendar month that the Option is registered.

The exact cost of your transaction will be disclosed on your confirmation.

Some fees that are charged may be tax deductible. You must confirm this with your own tax adviser or accountant, in relation to your specific situation.

Any interest incurred or accrued by ASX Clear on your funds will be passed on

to you by the ASX. There may be an administration fee of 50 basis points, in addition to the base interest rate charged by ASX Clear, for passing this interest on to you.

REMUNERATION

Your financial adviser is remunerated on a base salary plus commission basis and may also receive a bonus under a balanced scorecard bonus plan. An annual total commission is payable once the financial adviser’s base salary is covered and ranges from zero to 57% of the fees and other revenue received by Morgan Stanley Wealth Management which are attributable to the financial adviser (“Attributable Fees”), less any applicable fees and deductions. The exact rate is determined by reference to brokerage and fee revenue generated by your financial adviser for Morgan Stanley Wealth Management over the course of the financial year. Applicable fees and deductions may include referral fees, business development costs, discount adjustments for any fees charged which are below Morgan Stanley Wealth Management’s standard fee schedule as well as any other costs that are incurred by Morgan Stanley Wealth Management.

If your financial adviser performs additional managerial roles for Morgan Stanley Wealth Management, they will be eligible to receive the commission referred to above in addition to their base salary. In addition to this, they will be eligible to receive a discretionary bonus based on their performance in their managerial role.

Managerial, para-planning and other administrative staff may receive a bonus as part of their remuneration. The bonus is entirely at the discretion of management.

Morgan Stanley Wealth Management employees and directors receive salaries, bonuses based on performance criteria and other benefits from us.

If you are a retail client, your financial adviser is also required to set out the remuneration and commissions they receive in the Statement of Advice (“SOA”) which they must give to you when providing personal advice.

**Table 1:
ETO & OTC Fee Tiers**

ETO Fee category	(\$ per contract)*	Large Volume Rebate
ETO Single Stock category 1	\$0.06	50% after \$1,300 threshold
ETO Single Stock category 2	\$0.10	50% after \$1,300 threshold
ETO Single Stock category 3	\$0.13	50% after \$1,300 threshold
ETO Single Stock category 4	\$0.21	50% after \$1,300 threshold
ETO Single Stock category 5	\$0.31	50% after \$1,300 threshold
OTC Fee category	(\$ per contract)*	Large Volume Rebate
OTC Single Stock category 1	\$0.05	100% after \$1,300 threshold
OTC Single Stock category 2	\$0.08	100% after \$1,300 threshold
OTC Single Stock category 3	\$0.10	100% after \$1,300 threshold
OTC Single Stock category 4	\$0.17	100% after \$1,300 threshold
OTC Single Stock category 5	\$0.25	100% after \$1,300 threshold

* Per contract fee of \$0.00 applied if option price is 1c or lower.

**Table 2:
Examples of Costs
when Trading Options**

Transaction costs affect the profitability of Options trades on entry and exit. For example:

Joe buys 200 contracts of the TLS Jan 500 calls at \$0.05.

Total premium paid is \$1,000	200 contracts x \$0.05 (price) x 100 (shares per contract)
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Plus

ASX fees are \$28.60 (including GST)	200 contracts x \$0.143 (\$0.13 + GST)*
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Brokerage is \$121 (including GST)	\$110 minimum brokerage + GST
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The initial trade to acquire the 200 contracts costs a total of \$1,149.60.

The Telstra share price rises.

Joe sells the 200 contracts of the TLS Jan 500 calls at \$0.10.

Total premium received is \$2,000	200 contracts x \$0.10 (price) x 100 (shares per contract)
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Less

ASX fees are \$28.60 (including GST)	200 contracts x \$0.143 (\$0.13 + GST)*
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Brokerage is \$121 (including GST)	\$110 minimum brokerage + GST
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The net proceeds of the transaction is \$1,850.40.

Total fees for entering and exiting the trade is \$299.20.

This consists of brokerage to buy and sell, and ASX fees on both sides of the transaction.

Therefore, Joe needs to make a 29.92% return to break even after the costs on the trade.

While the value increased by \$1,000 the transaction costs resulted in a profit of only \$700.80.

Also, please note that if an option is assigned or exercised, then you may be charged brokerage to buy or sell the underlying stock and incur additional ASX charges.

*Underlying value classified as ETO Single Stock category 3

Part 3

Terms of Use

ASX Clear Operating Rule 7.1.2 requires you to read these terms and conditions (“Terms”) carefully, and acknowledge that you have read and understood them by signing the attached “Exchange Traded Options – Client Agreement Form” (“Form”). The fully completed and signed Form must be returned to Morgan Stanley Wealth Management Australia Pty Ltd (ABN 19 009 145 555) (“Morgan Stanley Wealth Management”, “we”, “our” or “us”) before we can accept your Options order.

These Terms, the Terms of Business, the Form, any confirmation and each other document entered into by you with us in connection with any of them form a single agreement (referred to as “this Agreement”) between us and you. All transactions are entered into in reliance on the fact that this Agreement forms a single agreement between us and you, and neither we nor you would otherwise enter into any transaction.

Please note that any additional or different terms stipulated by you or set out in any communication from you will not be effective or binding upon us unless agreed by us in writing.

1. DEFINITIONS

Account means an Option trading account established by Morgan Stanley Wealth Management on behalf of the Client.

Applicable Laws means any:

(a) statute, ordinance, code or other law including regulations and other instruments under them; and

(b) code of practice, guideline or standard issued by relevant regulators or industry bodies, whether or not having the force of law, applicable to these Terms and any obligations to be performed under these Terms, including, without limitation, the Corporations Act 2001 (Cth) (“Corporations Act”), the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (“AML/CTF Act”), the PPS Law and the Privacy Act 1988 (“Privacy Act”), as amended from time to time.

Approved Clearing Facility means in relation to a market transaction, the clearing and settlement facility, within the meaning of section 761A of the Corporations Act, through which the market transaction has been or will be cleared.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange Limited (ABN 98 008 624 691).

ASX Clear means ASX Clear Pty Limited (ABN 48 001 314 503), which provides clearing services in relation to products traded on the ASX.

ASX Group means any or all of ASX Clear, ASX Settlement and ASX.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532), which provides settlement services in relation to products traded on the ASX.

ASX Settlement Operating Rules means the settlement rules of ASX Settlement.

Authorised Agent means any persons nominated as being authorised to deal on the Account.

Approved Market Operator means an entity that is licensed under s795B(1) of the Corporations Act to operate a Market.

Business Days means a day other than a Saturday, Sunday, New Year’s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.

Claim means a claim, notice, action, proceeding or demand made against the Indemnified Person concerned, however it arises and whether it is present or future, fixed or unascertained, actual or contingent, direct or indirect.

Clear Operating Rules means the ASX Clear Operating Rules.

Client, you or your means the person or entity whose name the Account is held, includes and where the content permits, any person authorised to operate or provide instructions (however, broad or limited the authorisation may be) in relation to the account. If

there are more than one, you means each of them separately and every two or more of them jointly and includes your successors and assigns.

Clearing Participant means a broker authorised to clear trades through ASX Clear.

Client Agreement means an agreement between a Clearing Participant (as defined in the Clear Operating Rules) and a client of the Market Participant, entered into under the relevant Rules.

Derivatives means a financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets.

Derivatives CCP Contract has the same meaning as given to that term in the Clear Operating Rules.

Derivatives Cover means Financial Products lodged with, or otherwise made available to, an Approved Clearing Facility as security for deposits or margins payable in relation to Derivatives transactions.

Derivatives Market Transactions has the same meaning as given to that term in the Clear Operating Rules.

Early Termination Amount means in relation to a terminated Transaction, the value of that Transaction on the Early Termination Date or at the time that Transaction is terminated, being an amount calculated in good faith by us applying any relevant market conventions and having regard to the terms of the terminated Transaction (including any charges and other costs and fees payable or that may become payable by you to us in connection with the terminated Transaction) and the market conditions at that time. It is to include the value of payments or deliveries which fell due on or before the date of termination but which have not been performed. An Early Termination Amount is not required to be the market value of the terminated Transaction or group of terminated Transactions. We are not obliged to use mid-market quotations or mid-market valuations in determining an Early Termination Amount and we can base our determination on other information such as market data or information from our own sources.

Early Termination Date means the date designated by us for the termination of one or more Transactions in accordance with clause 24 of these Terms.

Effective Date means the date referred to in a Participant Change Notice on which the novation of a Client Agreement is deemed to have occurred.

Explanatory Booklet means the relevant explanatory booklets issued by ASX, as amended from time to time.

Fees means the fees and charges payable by you as set out in clause 23 of these Terms.

Financial Products has the meaning given to that term in Division 3 of Part 7.1 of the Corporations Act.

FSG means the Financial Services Guide issued by Morgan Stanley Wealth Management from time to time.

General Advice means advice where we have not taken into account any of your investment objectives, personal circumstances, financial situation or needs.

GST means the goods and services tax described in the A New Tax System (Goods and Services Tax) Act 1999, and related Acts, or any similar tax.

Holding has the meaning in the ASX Settlement Operating Rules. Generally, it means a holding of securities by a person.

Loss means any damage, loss, cost, expense (including legal or administrative fees howsoever arising) or liability incurred by the Indemnified Person concerned, however it arises and whether it is present or future, fixed or unascertained, actual or contingent, direct or indirect.

Market means the market operated by the ASX, or any other Approved Market Operator.

Market Integrity Rules means the ASIC Market Integrity Rules.

Market Participant has the same meaning as given to that term in the Market Integrity Rules.

Option means Exchange Traded Options.

Order means any order placed by you with us to acquire or dispose or otherwise deal in Options on the relevant Market.

Participant means a person admitted by ASX Clear as a participant under Clear Operating Rule 3.1.

Participation Change Notice means a notice sent to the Client in accordance with the Clear Operating Rules, setting out details of a proposed change of participant and other relevant information about the reasons for the proposed change and the costs (if any) to the Client of the proposed change.

PDS means this Options Product Disclosure Statement issued by Morgan Stanley Wealth Management, from time to time.

PPS Law means:

- (a) the Personal Property Securities Act 2009 (Cth) (“PPSA”);
- (b) any regulations made at any time under the PPSA;
- (c) any provision of the PPSA or regulations referred to in paragraph (b) above;
- (d) any amendment to any of the above, made at any time; or
- (e) any amendment made at any time to the Corporations Act or any other legislation in connection with the implementation or as a consequence of the PPSA.

Rules means the Market Integrity Rules, ASX Settlement Operating Rules, Clear Operating Rules, ASX Operating Rules and other rules of an Approved Market Operator, as amended from time to time.

Security Interest means a security interest under the PPSA.

Statement of Advice means the document required to be prepared under Div 3, Pt 7.7 of the Corporations Act by a person providing personal advice to a retail client.

Terms of Business means the document entitled General Terms of Business & Sponsorship Agreement issued by us, as amended from time to time.

Trading Day has the same meaning as given to that term in the Market Integrity Rules.

Transaction means a transaction formed on execution of an Order.

Underlying Securities means securities to which the Options relate.

2. INTERPRETATION

(a) In these Terms unless the context indicates a contrary intention:

- (i) words expressed in the singular include the plural and vice versa and a gender includes other genders;

(ii) where a word or phrase is defined in these Terms, other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

(iii) the word “person” includes a company, partnership, joint venture, association, corporation or other body corporate and any governmental agency;

(iv) a reference to any statute, rule or other law, or to any sections or provisions thereof includes any statutory modification or re-enactment or any statutory provision substituted therefore and all ordinances, by-laws, regulations and other statutory documents issued thereunder;

(v) a reference to a document, deed or agreement includes an amendment or supplement to, or replacement or novation of, that document;

(vi) a reference to anything (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of persons is a reference to any one or more of them;

(vii) a monetary amount means that amount in Australian currency;

(viii) a reference to a party to a document includes that party’s successors and permitted assigns;

(ix) a reference to a month is a reference to a calendar month; and

(x) headings are inserted for convenience only and do not affect the interpretation of these Terms.

(b) Unless otherwise defined or specified in these Terms, words and expressions defined in the Corporations Act, Rules, procedures, appendices and schedules have the same meaning as in these Terms. In the event of any inconsistency, the definitions in these Terms prevail.

3. APPLICATION OF THE ASX CLEAR OPERATING RULES

The Client, its Authorised Agent and Morgan Stanley Wealth Management agree that the terms of their relationship in respect of Derivatives CCP Contracts and any dealings between them concerning Derivatives CCP Contracts are subject to and are bound by the Corporations Act, the Rules and the procedures, customs, usages and practices of ASX Clear and any other relevant Approved Market Operator, and their related entities, as amended from time to time, in so far as they apply to Derivatives CCP Contracts.

4. JOINT ACCOUNTS

(a) If your Account is in two or more names, the liabilities of all parties are joint and several (in the case of a partnership, a reference to you includes the partnership and each individual partner). Unless you tell us otherwise, we are entitled to accept instructions from any one of the persons named in the Account in addition to instructions from an Authorised Agent. You acknowledge that we are under no obligation to enquire into or see to the application or disposition of the Options, any cash or any other Financial Product. If you are a trustee, you are bound in your capacity as trustee and personally. Your successors and assignees are bound by these Terms.

(b) You further acknowledge that where an Account is established in the name of a company:

(i) any liabilities incurred on that Account will be deemed to be the responsibility of each of the directors and each director will be held personally liable for the purposes of these Terms; and

(ii) Morgan Stanley Wealth Management or any external credit agency may commence action against any or all of the directors to recover monies owed on that Account irrespective of whether the debts were incurred in that company name.

5. AUTHORITY

You acknowledge and agree that you are either:

(a) acting as principal; or

(b) acting as an intermediary on another’s behalf and are specifically authorised to transact in Options by the terms of:

(i) an Australian Financial Services Licence which authorises you to deal in Options;

(ii) a trust deed (if you are a trustee); or

(iii) an agency contract, evidence of which you will promptly provide to Morgan Stanley Wealth Management.

6. WARRANTIES AND REPRESENTATIONS

You warrant and represent that:

(a) you have the authority and power necessary to place Orders with us under these Terms and you will comply with all Applicable Laws;

(b) you are, and at all times during your dealings with us will be, in a position to meet all commitments (financial and otherwise) on your part arising out of dealings with us or any business conducted by us or our affiliates on your behalf;

(c) you and your Authorised Agent are over the age of 18 years.

(d) if you are a body corporate, you are duly incorporated and validly existing under the laws of the jurisdiction of its incorporation;

(e) if you are a trustee, you warrant that you have full power and authority to enter into these arrangements and to exercise the rights and perform the obligations under these Terms;

(f) you have the authority and power to execute and deliver and to perform your obligations under these Terms;

(g) the Terms constitute valid and binding obligations on you, enforceable in accordance with the provisions set out in these Terms;

(h) the execution, delivery and performance of these Terms does not violate any existing law or regulation or any document or agreement to which you are a party or which is binding on you or any of your assets;

(i) all authorisations required in order for you to conduct your business and relevant to the execution, delivery, performance, validity or enforceability of these Terms have been obtained or effected and are in full force and effect;

(j) you have not, and will not, assign, charge, declare a trust over or otherwise grant a security over the Account or Financial Products;

(k) you have not and will not assign, charge, declare a trust or otherwise grant a security over your account, any bank bills or Financial Products;

(l) you undertake that you will not create or allow a third party or any other agent to agree to an assignment, charge, declaration

of trust over your Account, the Underlying Securities, any bank bills or Financial Products.

(m) you are at all times able to meet all the Fees, costs and charges incurred in relation to Morgan Stanley Wealth Management effecting an Order, Transaction or otherwise acting on your instructions.

(n) you will at all times provide Morgan Stanley Wealth Management with current contact details including an email address, during your dealings with us, and you acknowledge that all confirmations of executed orders will be sent via a hard copy contract note/confirmation or by electronic means. In the event that your contact details are not current, including postal address, email address or facsimile number, we reserve the right to suspend all dealings on your Account and any cash facility linked to that Account;

(o) you have entered into these Terms as principal and not otherwise;

(p) you are solvent; and

(q) you are not a US person as that term is defined in Rule 902(i) of Regulation S under the Securities Act 1993 (United States).

All representations and warranties made by the Client under these Terms are taken to be made on the date on which the Form was signed and repeated continuously on each date upon which an Order, a Transaction or any other service under these Terms is effected.

7. APPOINTMENT AS AGENT

(a) You irrevocably and severally appoint ASX Clear, and every director, manager and assistant manager for the time being of ASX Clear, at the option of ASX Clear (as applicable), to do all acts and execute all documents on your behalf for the purpose of exercising the powers conferred on ASX Clear under Clear Operating Rule 15.

(b) You acknowledge that ASX Clear has broad powers to deal with positions held by the Participant if the Participant commits an event of default under Clear Operating Rule 15.1. The powers of ASX Clear are set out in Clear Operating Rule 15.2.

8. EXPLANATORY BOOKLET

(a) You acknowledge that you have received and read a copy of the current Explanatory Booklets in respect of each ASX option product and any other documents required to be given to you under Market Integrity Rule 7.1.1(b).

(b) We do not warrant the accuracy or completeness of Information in any Explanatory Booklet.

9. RISK DISCLOSURE STATEMENT

You have read and understood the Risk Disclosure Statement (contained in Part 1 of this PDS). You acknowledge that dealing in Options incurs a risk of loss as well as a potential for profit.

10. INVESTMENT NEEDS AND FINANCIAL POSITION

(a) When you disclose your investment objectives, financial situation and particular needs (your “relevant personal circumstances”) to us, you do so in order to assist us to provide personal advice or make recommendations suitable to your investment objectives, personal circumstances, financial situation and needs (“Personal Advice”). You agree to promptly notify us of any changes to your relevant personal circumstances. You warrant that any information that you provide to us is true and correct.

(b) You acknowledge and agree that:

(i) full disclosure of your relevant personal circumstances will or has been requested by us;

(ii) if you do not give all the details requested by us in relation to your relevant personal circumstances, or fail to notify us of changes in relation to your relevant personal circumstances then:

(A) we can only give you limited advice which may not suit you. Limited advice may be based on incomplete or inaccurate information relating to your personal circumstances and because of this, you should, before acting on the advice, consider the appropriateness of the advice having regard to your relevant personal circumstances; and

(B) this may impair your rights under the Corporations Act;

(iii) you undertake as primary obligor, all obligations with respect to the execution of your Order;

(iv) if you do not provide us with information about your relevant personal circumstances, we will only give you General Advice limited to execution related advice, price-information or product-specification information. When we provide General Advice, you must consider the appropriateness of the advice, having regard to your objectives, financial situation and needs and you must read this PDS in full and consider it before making any decision in relation to acquiring Options. Further, you should make your own decision on whether the Financial Products suits your needs; and

(v) in circumstances where we have only provided you with General Advice, you have given consideration to your objectives, financial situation and needs and have formed the opinion that dealing in Options is suitable for your purposes;

(d) We will treat information we possess concerning you as confidential and in accordance with clause 44 and 45. You acknowledge that we may provide your information to the ASX Group or related entities in the ASX Group as required by the Rules of these groups.

11. CLIENT AS PRINCIPAL

In placing an Order, you acknowledge that we will be acting as your agent and that you will be acting as principal and not as agent for any other party. All transactions will be undertaken on the basis that you undertake as primary obligor all obligations with respect to the execution of any Order.

12. ORDERS & EXECUTION

(a) Either you or your Authorised Agent may place Orders with us verbally or in writing (including electronically, see clauses 14 and 15). You acknowledge that each Transaction, and, where applicable, any trade confirmation we issue with respect to any Transaction, is subject to:

(i) the directions, decisions and requirements of an Approved Market Operator, and the Rules;

(ii) the customs and usages of the Market;

(iii) the correction of errors and omissions;

(iv) the Corporations Act; and

(v) the Terms of Business and these Terms (both as amended from time to time).

(b) We reserve the right to refuse to accept or place a limit on any Order in our absolute discretion for any reason. We will advise you of any refusal or limitation as soon as practicable. We will not be responsible for confirming the receipt of instructions or verifying the authenticity of your instructions. You agree we can provide confirmations in paper or electronic form.

(c) You acknowledge we may submit orders for other clients and/or an order for our own account or our affiliates or other prescribed persons and allocations shall be in accordance with our allocation policy, contained in Morgan Stanley Wealth Management's General Terms of Business. We reserve the right to change the allocation policy at any time without notice to you.

(d) You acknowledge that:

(i) you must not issue instructions to us that will breach, or are likely to cause us to breach, any Applicable Laws or Rules including:

(A) market manipulation rules, wash trading or matching of orders;

(B) insider trading or front running rules;

(C) the creation of a disorderly market or otherwise prejudicing the integrity or efficiency of the market; or

(D) misleading or deceptive conduct concerning dealings in Options;

(ii) instructions placed by electronic means, including instructions to place, cancel or amend orders may experience delays being executed. We are not liable for any losses caused by a delay unless it has been caused by our own negligence or default, and then only to the extent that the delay has been unavoidably caused by factors beyond our control;

(iii) we will use reasonable endeavours to effect instructions to place, cancel or amend an order as quickly as possible. However, you acknowledge that there may be delays in processing an instruction, amendment or cancellation, and as such, an order may be wholly or partly filled before an instruction for its amendment or cancellation is processed and you will be liable to settle the partially filled order;

(iv) we may only be able to partially fill an order and that you are responsible for that transaction regardless of whether or not the remainder of the order is filled;

(v) we are not responsible for any delay experienced by you when placing an order due to an unforeseen backlog of callers or the unavailability of your financial adviser.

(e) Pursuant to its powers under the relevant Rules, the ASX or any other Approved Market Operator, at its sole discretion, may cancel or amend market transactions or crossings without prior approval from us or the investor. You acknowledge that you are not able to claim compensation from us in relation to the circumstances described in this clause.

(f) You acknowledge that, subject to the Corporations Act, the Rules, the directions, decisions and requirements of ASIC, the ASX Group and any other Approved Market Operator, and the customs, usages and practices of the Market, your Orders may be cancelled or purged from the Market without notice to you. An Order that is cancelled or purged by the Market will not be reinstated by us without instructions from you. In addition

you acknowledge that we are not obliged to notify you of any Orders which are cancelled or purged from the Market although we may, at our absolute discretion, choose to do so. You further acknowledge that we are not liable for any loss you may suffer in connection with a cancelled or purged Order or a failure to reinstate a cancelled or purged Order.

13. CANCELLATION AND RIGHT TO REFUSE TO DEAL

(a) You acknowledge that notwithstanding any other provision in these Terms, we:

(i) are entitled to cancel, amend or reverse ("Order Modification") a trade and any confirmation without notice to you where we believe the trade may interfere with the orderly nature of the market or where ASIC, the ASX Group or any other Approved Market Operator, has recommended or required the Order Modification for any one or more of the following reasons:

(A) market integrity reasons;

(B) where the Market was operating under an error; or

(C) where the cancellation or reversal is permitted under the Rules;

(ii) may at any time refuse to deal in, or may limit dealings in, Options for you and that we will notify you of any refusal or limitation as soon as practicable. We are not required to act in accordance with your instructions, where to do so would constitute a breach of the Rules or the Applicable Law. Nothing in these Terms are to be construed as obliging either you or us to enter into any Order.

(b) You acknowledge that:

(i) if we exercise our rights under sub-clause (a), you must pay us any damages, losses, costs or expenses that we incur in relation to any action taken under sub-clause (a), including without limitation administrative costs and/or costs of sale or purchase of any transaction or deal put in place for the purposes of meeting our obligations under these Terms; and

(ii) you are not able to claim any compensation from us in relation to any circumstances described in sub-clause (a), even where you receive a contract note/confirmation relating to the cancelled transaction.

14. ELECTRONIC CONFIRMATION AND DISCLOSURES

(a) You agree, acknowledge and consent to receiving:

(i) confirmation of any transaction electronically to your email address rather than by post if you have provided us with an email address;

(ii) any other documents (including but not limited to disclosure documents), notices and correspondence that we or an affiliate are required to provide to you under the Corporations Act or the Rules, (collectively, "Prescribed Documents"), either:

(A) electronically to an email address you have provided to us, in which case we will also have the right to provide a hyperlink to the Disclosure Document in lieu of an electronic copy; or

(B) by written (paper or electronic) notice with a reference to the relevant website or hyperlink, to access the Prescribed Documents.

(b) You acknowledge that it is your responsibility to promptly advise us of any change to your email address and ensure that your email is at all times operational and available for receipt of electronic communication (including but not limited to electronic confirmation statements and Prescribed Documents).

(c) Notwithstanding any other provision, you agree that we may at any time:

(i) issue a paper-based confirmation statement in lieu of electronic confirmation statements by email;

(ii) issue a further confirmation statement if the previous ones contained any errors or omissions, and in this event, the further confirmation statement shall supersede the previous ones in all respects.

15. ELECTRONIC COMMUNICATIONS

You acknowledge that communications that we send to you by way of email or other electronic means, including any attached documents, (together, “electronic communications”) will not be encrypted. We do not guarantee that electronic communications that we send will be secure, error free or virus free. We reserve the right to monitor all electronic communications.

16. NATURE OF OUR OBLIGATIONS

(a) Notwithstanding that we or your Market Participant, may act in accordance with your instruction, or for your benefit, you acknowledge that any Derivatives CCP Contract arising from any order submitted to an Approved Market Operator, is entered into by the relevant Market Participant as principal.

(b) Upon registration of a Derivatives Market Transaction with ASX Clear or any other Approved Market Operator in our name, you acknowledge that we incur obligations to ASX Clear as a principal, even though the Derivatives Market Transaction may have been entered into on your instructions.

(c) We will use our reasonable endeavours to give effect to your instructions, but we will not be responsible for failure to give effect to, or for delays or errors in giving effect to, your instructions.

(d) We are entitled to rely on any document or communication which we reasonably believe to be a Notification or an oral communication without further enquiry.

17. LIMITATION ON YOUR RIGHTS

(a) You acknowledge that any benefit or right obtained by us is on registration of a Derivatives Market Transaction with ASX Clear or any other Approved Market Operator by novation under the relevant Rules or any other legal result of registration is personal to us and the benefit of that benefit, right or legal result does not pass to you.

(b) You have no rights, whether by way of subrogation or otherwise, against the relevant Approved Market Operator or ASX Clear or any other Approved Market Operator in relation to any transactions by you, or any other Participant or Market Participant in Derivatives Market Transactions.

18. DEALING AS PRINCIPAL

(a) You acknowledge that Morgan Stanley Wealth Management and its related corporate entities may:

(i) trade as principal on a Market; and

(ii) in certain circumstances (either acting for another client or on its own account) where permitted under the Applicable Laws and the Rules, take the opposite position in a Derivatives Market Transaction in Options, either when acting for another client or on our own account;

(b) You acknowledge and consent that notwithstanding sub-clause (a) we may charge you brokerage at the normal or agreed rate.

(c) You acknowledge and consent that notwithstanding that we may act in accordance with the instructions of, or for your benefit, you acknowledge that any Order arising from any order submitted into the ASX or an Approved Market Operator, is entered by us as principal.

19. SETTLEMENT ON EXERCISE OF OPTIONS

You must make such arrangements for transfer of Financial Products or payment of amounts on exercise or assignment of Options held on your account as we reasonably require and notify to you. In particular, you must, by 5pm AEST on the Business Day on which any Option is to be exercised or assigned on your Account, either:

(a) notify us that you intend to complete the transaction arising from the exercise or assignment; or

(b) instruct us to take other steps to settle obligations arising from exercise, including entering into another Options transaction or exercising any Option.

20. ASX CLEAR SUBPOSITIONS

(a) If you arrange with ASX Clear to lodge Financial Products in your Holdings as Derivatives Cover, and inform us of the arrangement, you:

(i) authorise us to reserve the Financial Products in the ASX Clear subposition so that the Financial Products come under the control of ASX Clear and are subject to the security interest granted in favour of ASX Clear to secure the performance by the relevant Clearing Participant of its obligations to ASX Clear under and in accordance with the ASX Clear Operating Rules;

(ii) authorise any subsequent dealing (including, without limitation, any Transfer) of the reserved Financial Products in accordance with the Rules, including the ASX Clear Operating Rules;

(iii) acknowledge that the Financial Products will remain subject to that security interest for so long as those Financial Products remain reserved in the ASX Clear subposition in accordance with the ASX Clear Operating Rules; and

(iv) authorise us to take whatever other action is reasonably required by ASX Clear in accordance with the Rules to give effect to that arrangement.

(b) Where you arrange with any person to give a charge or any other interest in financial products in your Holdings, you authorise us to take whatever action is reasonably required by the person in accordance with the Rules to give effect to that arrangement.

(c) You acknowledge that where, in accordance with this Agreement and/or your instructions, we initiate any action which has the effect of creating a subposition over Financial Products in your Holdings, your right to transfer, convert or otherwise deal with those Financial Products is restricted in accordance with the terms of the Rules relating to subpositions.

Nothing in this Agreement operates to override any interest of ASX Clear in the Financial Products.

21. MARGINS

You agree that when you write Derivative CCP Contracts to open a position then margins will be payable throughout the life of the Derivatives CCP Contracts. It is your responsibility to ensure that you meet the margin obligations on a daily basis. You must close any open Derivatives CCP Contract immediately in the event that the Client cannot meet daily margin obligations. Without derogating from our rights under these Terms you also agree that we may require you to pay to us margins in excess of those required by ASX Clear. We may in our absolute discretion allow any such additional margin paid to be retained in an approved cash account on terms approved by us.

22. ACCUMULATION AND PRICE AVERAGING

You authorise us to fulfil an instruction from you (in our reasonable discretion) by entering into multiple market transactions and authorise us to accumulate those market transactions on a single confirmation specifying the volume weighted average price for those market transactions. You may request us to provide you with a statement of all the individual prices of the market transactions which have been accumulated and averaged.

23. FEES, PAYMENT AND DELIVERY

You agree and acknowledge that:

(a) we may call for payment of money or the provision of other security which we consider, in our absolute discretion, appropriate in connection with the obligations incurred by us in respect of Derivatives CCP Contracts entered into for your Account including without limitation:

- (i) any fees, fines or additional costs incurred by us as a result of any failure by you to pay any money or provide security;
- (ii) interest on any overdue amounts, which is charged using the method and interest rate we determine from time to time; and
- (iii) any fees or charges that are imposed for the provision of an additional service request (for example, off-market transfer requests, additional reporting, corporate actions, administration service (not inclusive));

(b) you must pay to us commissions, brokerage, fees and taxes including GST and charges in connection with your dealings in Derivatives Market Transactions for you at the rates determined by us from time to time and notified to you in writing;

(c) the time by which you must pay any amount called or provide security is of the essence and you must pay the amounts, or provide the relevant security, within 24 hours of the call for payment and if the 24 hour period expires on a non-Trading Day, you must make payment or provide security by 10am the next Trading Day;

(d) notwithstanding this clause 23, we may notify you orally or in writing of a shorter period for payment or delivery. You irrevocably direct and authorise us to withdraw funds or realise security from any account held by us or our related entities for your benefit in order to satisfy your payment obligations under these Terms, including, without limitation to pay to ASX Clear or any other Approved Market Operator any amount which we are liable

to pay to ASX Clear or any other Approved Market Operator in connection with dealings for you in Options;

(e) we may immediately and without notice set off any amount payable by us to you against any amounts owed by you to us as a result of your default under these Terms, the Corporations Act or the Rules, to settle or otherwise (including fail fees). Our rights to set off extend to accounts you may have with us or any of our affiliates;

(f) if on any date amounts would otherwise be payable in the same currency and by each party to the other, then on such date, each party's obligation to pay that amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller amount.

24. FAILURE TO SETTLE AND CLOSE-OUT

(a) You are liable for any losses, costs and expenses incurred by us as a result of your failure to provide funds by the due settlement date. However, we remain liable for any losses, costs and expenses caused by our own neglect or default.

(b) You are liable for any losses, costs and expenses incurred by us as a result of your failure to provide payment in full to us in respect of either purchases by the due settlement date or Margin or other settlement obligations. However, we remain liable for any losses, costs and expenses caused by our own neglect or default.

25. DEFAULT

If:

(a) you fail to pay or provide a guarantee or security for, amounts payable to us;

(b) you fail to complete, under the Rules, a contract for the transfer of Underlying Securities following the exercise of an Option;

(c) you fail to perform any obligation arising pursuant to the exercise or settlement of a Derivatives CCP Contract;

(d) liquidation or winding-up procedures have been commenced against you;

(e) you become insolvent or bankrupt or if the Client is a company, a receiver or manager is appointed to it or liquidation or winding-up procedures have been commenced against you;

(f) a guarantee lodged by you or other security provided by you is withdrawn or becomes ineffective and other replacement security is not acceptable to us is provided;

(g) you die;

(h) you are not capable of giving us instructions or fulfilling your responsibilities to make Payments or pay our Fees and no person is legally appointed to act on your instructions or fulfil your responsibilities;

(i) we consider that we require instructions from you in relation to Options registered in your name and we have been unable to contact you for a period of 24 hours;

(j) any representation made by you is or becomes untrue at any time during the period in which you are our Client;

(k) there are reasonable grounds for believing that you will not honour your obligations under these Terms or in respect any Options into which you have entered;

(l) there has been a significant movement in either the value of an Order entered into by you or securities prices generally; or

(m) you breach any other material provision of these Terms, then we may, in addition to any other rights we may have against you, without giving you prior notice, take any action or not take action, which we consider reasonable in the circumstances in connection with Options registered in your Account (including without limitation, Options and other financial products arising from those contracts transacted) and, without limitation, we may:

(i) enter into one or more transactions to effect the close out of one or more Options in accordance with the Rules;

(ii) exercise one or more Options in accordance with the Rules or the Corporations Act;

(iii) terminate any or all Transactions by giving you written notice designating an Early Termination Date (which may be the same date on which such notice is received);

(iv) exercise any other rights conferred by the Rules, the Corporations Act or these Terms or perform any other obligations arising under the Rules, the Corporations Act or these Terms in respect of those Derivatives Market Transactions; or

(v) sell (in the manner determined by us) any Financial Products or other property held by, or under control, of us (including, without limitation, all securities, cash and other property lodged at ASX Clear in respect of your Account, even where this is not owned by you) and set off the proceeds of sale and any other amounts owed to us against any amounts owed by us to you; and

you must account to us as if those actions were taken on your instructions and, without limitation, you are liable for any deficiency and are entitled to any surplus which may result.

26. EARLY TERMINATION

(a) If an Early Termination Date is designated for any Transaction, then the Transaction is terminated, neither party need make any further payments in respect of such Transaction and instead the amount payable (if any) in respect of the Transaction will be determined in accordance with this clause.

(b) In respect of any Transactions that are terminated under these Terms, we will, on or about the Early Termination Date:

(i) calculate the Early Termination Amount;

(ii) net the Early Termination Amounts of each of the terminated Transactions so that a single net amount is payable by either you to us or by us to you (the “Net Early Termination Amount”) (such netting may include net early termination amounts in respect of previous early termination dates which have not been paid); and

(iii) give you notice of the Net Early Termination Amount.

(c) The Net Early Termination Amount will be a debt due and payable by the applicable party to the other upon notification by us to you of the Net Early Termination Amount payable. The Net Early Termination Amount may be subject to set-off in accordance with these Terms.

27. PERSONAL PROPERTY SECURITIES (“PPS”) ACT

(a) Where transactions under these Terms may give rise to a Security Interest, the following clauses are intended to protect any interest that Morgan Stanley Wealth Management (or its nominee), as the secured party with a Security Interest, has in:

(i) the financial products;

(ii) the cash that may be held by Morgan Stanley Wealth Management (or its nominee) in a deposit account, a Cash Account or any other account (“ADI Account”) with an Authorised Deposit-taking Institution (“ADI”);

(iii) the collateral;

(iv) the agreed approved security, (collectively, the “Security Assets”).

(b) Where cash or collateral is held by Morgan Stanley Wealth Management (or its nominee) in an ADI Account with an ADI, you agree that, at all times until the termination of these Terms, when sums are due to Morgan Stanley Wealth Management (or its nominee), we may direct disposition of funds from the ADI Account without reference to you, the third party and any of your authorised agents (collectively, “Authorised Agents”);

(c) You acknowledge and agree that at all times until the termination of these Terms:

(i) Morgan Stanley Wealth Management (or its nominee), as the secured party with a security interest over Secured Assets may initiate or control sending instructions in relation to the transfer of, or other dealings relating to the Secured Assets;

(ii) to the extent that Morgan Stanley Wealth Management (or its nominee) has a Security Interest in any of the Security Assets, you must do anything (including executing any document, obtaining any consent or agreement or giving any notice) that Morgan Stanley Wealth Management (or its nominee) requires to enable Morgan Stanley Wealth Management (or its nominee) to perfect and protect any Security Interest provided for by these Terms;

(iii) Security Interests arising out of these Terms of the transactions contemplated by these Terms, are first ranking Security Interests, and if a default under these Terms occurs, Morgan Stanley Wealth Management (or its nominee), in addition to any other right that it may have, may severally enforce its Security Interest provided for by these Terms;

(iv) Morgan Stanley Wealth Management (or its nominee) may register one or more financing statements in relation to its Security Interest. If permitted by the PPSA, you waive your right under section 157 of the PPSA to receive notice of any verification statement or any related financial change statement;

(v) to the extent that any affiliate of Morgan Stanley Wealth Management (or its nominee) holds a Security Interest under these Terms, it may do so as trustee or agent on behalf of any other affiliate;

(vi) none of the provisions of the PPSA specified in paragraphs (a) to (r) inclusive of section 115 of the PPSA will apply in relation to any collateral the subject of a PPSA Security Interest established under or contemplated by these Terms, to the extent that this is permitted by the relevant paragraph of section 115 of the PPSA in relation to that provision. For the avoidance of

doubt, terms and expressions defined in the PPSA shall have the same meaning when used in these Terms;

(vii) you will not to disclose information of a kind mentioned in section 275(1) of the PPSA, except in circumstances required by section 275(7)(b) to (e) of the PPSA. You agree that you will only authorise the disclosure of information under section 275(7)(c) or request information under section 275(7)(d), if Morgan Stanley Wealth Management approves such disclosure. Nothing in this sub-clause (vii) will prevent any disclosure by Morgan Stanley Wealth Management if it believes such disclosure is necessary to comply with its other obligations under the PPSA.

(d) If a term used in this clause 27 has a particular meaning in the PPSA, it has the same meaning in this clause.

28. POWER OF ATTORNEY

(a) You appoint us, including our related entities and their officers, employees and agents (each an “Attorney”) to do anything which in the opinion of the Attorney, would give effect to a right, power or remedy of ours under clause 28, on our behalf and in your name under the power of attorney. You agree to ratify anything done by an Attorney under this power of attorney.

(b) An Attorney may delegate its powers (including the power to delegate) to any person for any period. The Attorney may also revoke the delegation.

29. INDEMNITY

(a) To the fullest extent permitted by law, you release, discharge and indemnify and agree to keep us, our agents and delegates, our affiliates, our affiliates’ agents and delegates and any of our or their employees, officers or directors (each an “Indemnified Person”) indemnified from and against all sums of money, actions, proceedings, suits, Claims, demands, Losses and any other amounts which any Indemnified Person may suffer or incur directly or indirectly as a result of, or in connection with:

(i) any default, whether by act or omission, of yours under these Terms, an Order, a Transaction of any other instruction which has been effected by or for you;

(ii) any breach by you (or any person purporting to act on your behalf) of these Terms, the Rules or any Applicable Law including the Corporations Act;

(iii) any representation or warranty made or given by you under these Terms proving to be untrue or incorrect;

(iv) any error, omission, fraud, malfeasance, negligence, misappropriation or criminal act or omission by you (or any person purporting to act on your behalf);

(v) any failure of any of your computer or electronic systems or networks or any telecommunications service used by you to perform, be available or successfully transmit data to the Indemnified Person, or any error or inadequacy in the data or information input into such systems or networks by you;

(vi) anything lawfully done by the Indemnified Person in accordance with or pursuant to these Terms;

(vii) any request, instruction or direction given by you (or any person purporting to act on your behalf);

(viii) any delay or error in the transmission or execution of any Order, Transaction or instructions given or placed by or for you, except in respect and to the extent of any gross negligence, fraud or dishonesty by us or any claim under any Applicable Law;

(ix) the Indemnified Person complying with any direction, request or requirement of:

(A) the ASX Group, an Approved Market Operator, any Applicable Laws including the Corporations Act, ASIC, a court of law or any other regulatory, statutory or judicial body; or

(B) any other person who either has or proposes to commence proceedings or investigations (including private matters pertaining to your personal or business affairs) on your behalf or on behalf of another person;

(x) the Indemnified Person in good faith accepting and acting on instructions received by facsimile transmission which are signed by or purported to be signed by you.

(b) This is a continuing indemnity and will survive the termination of these Terms. The Indemnified Person holds the benefit of this indemnity for itself and on trust for each of its officers, employees, agents and representatives.

30. LIMITATION OF LIABILITY

(a) Morgan Stanley Wealth Management does not exclude or limit the application of any statute where to do so would contravene that statute or cause any part of these Terms to be void. Morgan Stanley Wealth Management excludes all conditions, warranties or terms implied by statute, general law or custom except to the extent that such exclusion would contravene any statute or cause this clause 30 to be void. Morgan Stanley Wealth Management’s liability for a breach of any provision implied by law which cannot be excluded is limited to supplying of the Services again.

31. RECORDING CONVERSATIONS

You acknowledge that in some instances we may record our telephone conversations with you and if there is a dispute, you may listen to any such recordings in respect of that dispute. Telephone tapes are generally retained for a short period and may be reviewed for quality purposes by us.

32. YOU TO PROVIDE INFORMATION

You will take all reasonable steps to deliver information or documentation to us, or cause information or documentation to be delivered to us, concerning Derivatives Market Transactions which are requested by a person having a right to request such information or documentation. You authorise us to produce the information or documentation to the person making the request.

33. RIGHT TO REFUSE TO DEAL

We reserve the right to at any time in our absolute discretion for any reason refuse to deal in, or may limit dealings in, Options for you. We will advise you of any refusal or limitation as soon as practicable.

34. VARIATIONS AND TERMINATION

(a) We may at any time make any variation, modification, alternation or deletion of, or addition to these Terms, including but not limited to any changes to the Fees, by giving you 30 days written notice;

(b) You may terminate these Terms at any time by telling your financial adviser or contacting us at the address shown in the latest statement or report you received from us. In all other instances you may terminate this Agreement by giving written notice to Morgan Stanley Wealth Management. We may terminate these Terms by giving you seven Business Days notice. Any notice given or demand made will be deemed to have been received on the second Business Day following the posting or transmission of the notice or demand;

(c) You acknowledge that in the event of termination of these Terms, any Fees which have been paid or are payable up to the effective date of termination, will not be refunded to you; and

(d) You must notify us in writing of any change in details stated in your application form or your relevant personal circumstances as soon as possible. We may accept other forms of notice at our discretion.

35. EFFECTS OF TERMINATION

Termination of these Terms shall be without prejudice to the rights of the parties accrued up to the date of termination. On termination of this Agreement we will close out all Derivatives CCP Contracts held by us for your Account, unless, in accordance with your direction, the registration of those contracts is transferred to another Participant in accordance with the Rules or the operating rules of an Approved Market Operator.

Clauses 25, 26, 28, 29 and 30 continue to apply after termination of the Agreement in relation to Options entered into before termination.

36. ASSIGNED RIGHT

(a) Your rights under these Terms are incapable of being assigned (whether at law, in equity or otherwise) or made the subject of any encumbrance, trust or fiduciary obligation without our prior written consent, which consent may be withheld by us acting reasonably. Any action which purports to do any of these things without our prior written consent is void.

(b) Where such assignment does not prejudice your rights under these Terms, we may assign or otherwise deal with our rights under these Terms without your consent for legitimate business purposes including business reconstruction, amalgamation, sale or securitisation.

(c) Where such assignment may prejudice your rights under these Terms, we may assign or otherwise deal with our rights under these Terms by providing you with 10 Business Days written notice.

37. REVISED TERMS PRESCRIBED BY EXCHANGE

If ASX Clear prescribes amended minimum terms for a Client Agreement for Options for the purposes of the Rules ("New Terms"), to the extent of any inconsistency between the minimum terms and the New Terms, the New Terms will override these Terms and apply as if we had entered into an agreement comprising the New Terms with you.

38. COPY OF CHANGES

We will send to you a copy of the New Terms, as soon as practicable after ASX Clear prescribes the New Terms.

39. CLIENT FUNDS AND PROPERTY

(a) We must deal with any money and property paid or given to us in connection with our relationship with you in accordance with the Corporations Act and the Rules.

(b) You acknowledge that:

(i) your monies and the monies of other clients of ours may be combined and deposited by us in a trust account or clients' segregated account; and

(ii) all monies credited to the clients' segregated account maintained by us may be used by us to meet the default of any of our clients.

40. CHANGE OF PARTICIPANT

(a) If you receive a Participant Change Notice from us and the Participant Change Notice was received at least 20 Business Days prior to the date proposed in the Participant Change Notice for the change of Participant, you are under no obligation to agree to the change of Participant, and may choose to do any of the things set out below.

(b) You may choose to terminate these Terms in accordance with clause 34 or by giving instructions to us, indicating that you wish to transfer your Derivatives CCP Contracts to another Participant.

(c) If you do not take any action to terminate these Terms and do not give any other instructions to us which would indicate that you do not agree to the change of Participant then, on the Effective Date, these Terms will have been taken to be novated to the new Participant and will be binding on all parties as if, on the Effective Date:

(i) the new Participant is a party to these Terms in substitution for the existing Participant;

(ii) any rights of the existing Participant are transferred to the new Participant; and

(iii) the existing Participant is released by you from any obligations arising on or after the Effective Date.

(d) The novation under this clause 40 will not take effect until you have received a notice from the new Participant confirming that the new Participant consents to acting as the Participant for you. The Effective Date may as a result be later than the date set out in the Participant Change Notice.

(e) You will be taken to have consented to the events referred to in this clause 40 above by the doing of any act which is consistent with the novation of these Terms to the new Participant (for example by giving an instruction to the new Participant), on or after the Effective Date, and such consent will be taken to be given as of the Effective Date.

(f) These Terms continue for our benefit in respect of any rights and obligations accruing before the Effective Date and, to the extent that any law or provision of any agreement makes the novation not binding or effective on the Effective Date, then these Terms will continue for our benefit until such time as the novation is effective, and we will hold the benefit of the Client Agreement on trust for the new Participant.

(g) Nothing in this clause 40 will prevent the completion of Delivery Versus Payment transactions and Derivatives CCP Contracts by us where the obligation to complete those transactions

arises before the Effective Date and these Terms will continue to apply to the completion of those transactions, notwithstanding the novation of these Terms to the new Participant under this clause 40.

41. OTHER

(a) The rights conferred on us under these Terms are in addition to any rights conferred under the applicable Rules.

(b) You acknowledge that we will not extend you credit for any reason whatsoever.

(c) We do not accept payment in cash. You must make payments due under these Terms by other means acceptable to us.

(d) Any interest incurred or accrued by ASX Clear on your funds will be passed on to you. We may charge a reasonable administration fee of 50 basis points, in addition to the base interest rate charged by the ASX Clear, for passing this interest on to you.

42. IN THE EVENT OF A DISPUTE

(a) Any dispute between you and Morgan Stanley Wealth Management will be dealt with in accordance with our complaints procedures set out in this PDS and our FSG.

(b) All parties to these Terms may utilise the external complaints scheme referred to in this PDS and our FSG to resolve any dispute.

43. NOTICES

Every notice or other communication of any nature whatsoever required to be given, served or made under or arising from these Terms:

(a) must be in writing in order to be valid;

(b) will be deemed to have been duly given, served or made in relation to a party if it is delivered to the address of that party set out in these Terms or sent by facsimile to the number notified in writing by that party to the other party from time to time; and

(c) will be deemed to be given, served or made:

(i) (in the case of facsimile) on receipt of a transmission report confirming successful transmission at the conclusion of the transmission;

(ii) (in the case of delivery by hand) on delivery provided that if any notice is given, served or made outside of normal business hours it will not be deemed to be given, served or made until the commencement of business on the next Business Day; and

(iii) (in the case of email) on the day that the email enters the information system of the party's internet service provider or the host of the party's email address.

44. INFORMATION COLLECTION STATEMENT

Morgan Stanley Wealth Management collects, holds, uses and discloses your information (including your personal information) for various purposes including providing you with financial products and services that help meet your financial needs and objectives, administering and operating those services, carrying out credit and other background checks, marketing products and services to you, exercising and defending its legal rights, complying with its legal and regulatory obligations anywhere in the world, improving, supporting and enhancing its products and services, internal training, monitoring and other legitimate business purposes.

Morgan Stanley Wealth Management may disclose your information (including your personal information) to its associated firms, vendors

or other persons processing your information on its behalf (e.g. credit reporting agencies). Disclosure to these entities may involve the disclosure of your information outside Australia to countries which do not offer the same level of protection as may be enjoyed in Australia.

Morgan Stanley Wealth Management's privacy policy ("Privacy Policy") contains further details on its information handling practices and explains in more detail what personal information it collects, methods of collection, purposes of collection, retention, use and disclosure, when it may disclose your personal information, who it discloses your personal information to, the countries it may disclose your personal information to and how you may opt out from receiving marketing information. The Privacy Policy also explains your rights including how you may access and request correction of your personal information or complain about a breach of the Australian Privacy Principles by Morgan Stanley Wealth Management. The Privacy Policy is available at www.morganstanley.com.au/privacypolicy.

Before providing us with any information regarding an individual other than yourself, you should ensure that he or she knows that you will be providing his or her information to us and is aware of and has access to the information contained in this Information Collection Statement regarding our collection, use, processing, disclosure and overseas disclosure of his or her information, his or her data protection rights and the possibility of monitoring or recording of his or her communications.

45. CONFIDENTIALITY

(a) Morgan Stanley Wealth Management and you must treat as confidential (both during and after the termination of our relationship) any information learned about the other, its investment strategy, holdings, products or services during the course of our relationship and shall not disclose the same to any third party except on the other's instructions or with the other's written consent.

(b) Neither you nor Morgan Stanley Wealth Management may disclose these Terms except:

(i) to any professional or other adviser consulted by it in relation to any of its rights or obligations under these Terms;

(ii) in connection with the enforcement of its rights under these Terms;

(iii) to any of its affiliates, agents or other authorised representatives where the disclosure is made on the basis that the recipient of the information will comply with this clause in the same way that the party is required to do;

(iv) where the information is already in the public domain, or where the disclosure would not otherwise breach any duty of confidentiality;

(v) to any state, national or international regulatory, enforcement, exchange body or court anywhere in the world as required or allowed by applicable law or regulation anywhere in the world or at such person's request;

(vi) to any other person as required or allowed by applicable law or regulation anywhere in the world; or

(vii) otherwise with the prior written consent of the non-disclosing party.

46. TERMS OF BUSINESS

You agree and acknowledge that:

- (a) you have read, understood and agree to be bound by the Terms of Business;
- (b) the Terms of Business are in addition to these Terms and are also binding on you; and
- (c) to the extent of any inconsistency, these Terms will prevail over the Terms of Business.

47. AML/CTF LEGISLATION

You agree and acknowledge that:

- (a) to ensure our continued compliance with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and Anti-Money Laundering and Counter Terrorism Financing Rules 2007 (No.1) (collectively, “AML/CTF Act and Rules”), we will need to collect information and verification documentation from you from time to time;
- (b) you will provide us with whatever additional information is required in order for us to meet our obligations under the AML/CTF Act and Rules; and
- (c) we will not be liable for any loss incurred by you as a result of any action of Morgan Stanley Wealth Management which either delays your Account being opened, or results in your Account being declined, where these actions are necessary by us to comply with our obligations under the AML/CTF Act and Rules.

48. GOVERNING LAW

These Terms are governed and construed in accordance with the law of New South Wales and you submit to the exclusive jurisdiction of the courts of New South Wales.

49. SEVERABILITY

Each part of these Terms is severable from the balance of these Terms and if any part of these Terms is illegal, void, invalid or unenforceable, then that will not affect the legality, effectiveness, validity or enforceability of the balance of these Terms.

50. WAIVER

A failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, remedy, power or privilege under these Terms by us and will not in any way preclude or operate as a waiver of any further exercise or enforcement of these Terms or the exercise or enforcement of any other right, remedy, power or privilege hereunder or provided by law.

51. FORCE MAJEURE

A failure by Morgan Stanley Wealth Management in respect of the performance of its obligations to you does not give rise to any right of action or claim against Morgan Stanley Wealth Management if the failure or omission arises from any cause beyond its control.

52. TIME OF ESSENCE

Time is of the essence with respect to these Terms.

Part 4

Options Pay Off Diagrams

Options Strategies

This part contains a series of charts and explanatory notes that illustrate a section of options strategies available at Morgan Stanley Wealth Management. Please note this is not an exhaustive list of all options strategies that are available in the market or at Morgan Stanley Wealth Management.

We may require you to demonstrate your knowledge and understanding of the Option strategies you elect to undertake. In addition, we reserve the right to request additional information relevant to determining the suitability of a strategy in relation to your risk profile. Morgan Stanley Wealth Management reserves the right to restrict or refuse an Order or options facility where suitability cannot be determined.

We recommend you also refer to the ASX Options Strategies Guide, which is available at www.asx.com.au

Definitions

BREAK-EVEN POINT (BEP). The share price(s) at which an option strategy results in neither a profit nor loss; and excludes transaction costs, commissions or margin (borrowing) costs.

BEARISH. A negative market view. An expectation that share prices will fall.

BULLISH. A positive market view. An expectation that share prices will rise.

CALL. An option contract that gives the holder the right to buy the underlying security at a specified price for a certain, fixed period of time or at a specified date.

IN-THE-MONEY. A call option is in-the-money if the strike price is less than the market price of the underlying security. A put option is in-the-money if the strike price is greater than the market price of the underlying security.

LONG POSITION. A position wherein an investor is a net buyer (taker) in a particular options series.

OUT-OF-THE-MONEY. A call option is out-of-the-money if the strike price is greater than the market price of the underlying security. A put option is out-of-the-money if the strike price is less than the market price of the underlying security.

PREMIUM. The price a put or call buyer (taker) must pay to a put or call seller (writer) for an option contract. Market supply and demand forces determine the premium.

PUT. An option contract that gives the holder the right to sell the underlying security at a specified price for a certain, fixed period of time.

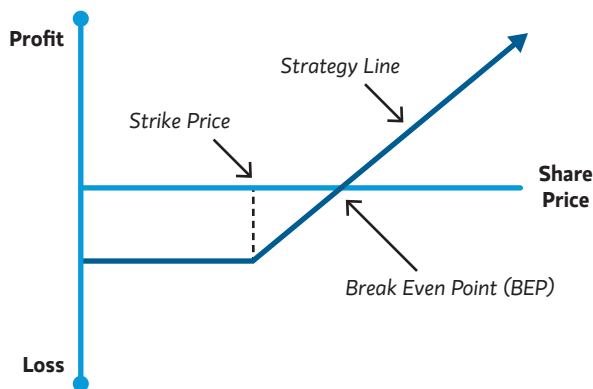
SHORT POSITION. A position wherein the investor is a net seller (writer) of a particular options series.

STRIKE PRICE OR EXERCISE PRICE.

The stated price per share for which the underlying security may be purchased (in the case of a call) or sold (in the case of a put) by the option holder upon exercise of the option contract.

TIME DECAY OR EROSION. A term used to describe how the time value of an option can “decay” or reduce with the passage of time.

VOLATILITY. A measure of the fluctuation in the market price of the underlying security. Mathematically, volatility is the annualised standard deviation of returns.



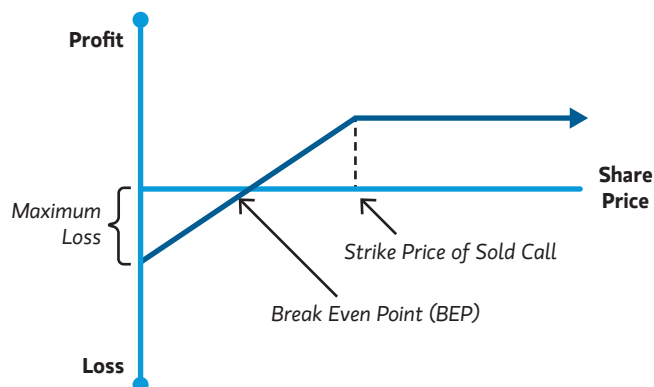
Understanding these charts

- Each strategy has an accompanying graph showing profit and loss at expiration.
- The vertical axis shows the profit/loss scale.
- When the strategy line (shown in dark blue) is below the horizontal axis, it assumes you paid for the position or had a loss. When it is above the horizontal axis, it assumes you received a credit for the position or had a profit.
- The dotted line indicates the strike price.
- The intersection of the strategy line and the horizontal axis is the break-even point (BEP) not including transaction costs, commissions, or margin (borrowing) costs.
- These graphs are not drawn to any specific scale and are meant only for illustrative and educational purposes.
- The risks/rewards described are generalizations and may be lesser or greater than indicated.

Types of Options Transactions

A. Writing call options over existing stock holdings and buy/write strategies

The maximum profit from the call option you can make is the premium received from writing the call. You risk forgoing any opportunity to benefit from any increase in the value of the underlying share price above the strike price of the call option sold. If you are assigned, you must sell the underlying shares at the strike price. There remains the risk that the value of the shares held will decline.

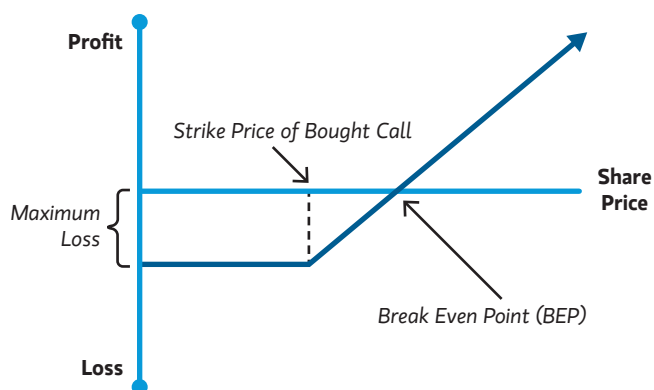


Buy Write

Example	Buy shares; sell calls on a share-for-share basis
Market Outlook	Neutral to slightly Bullish/Positive
Risk	Limited. Maximum Loss = Purchase Price minus Premium Received
Reward	Limited
Increase in Volatility	Hurts position
Time Decay	Helps position
BEP	Share Purchase Price minus Premium Received

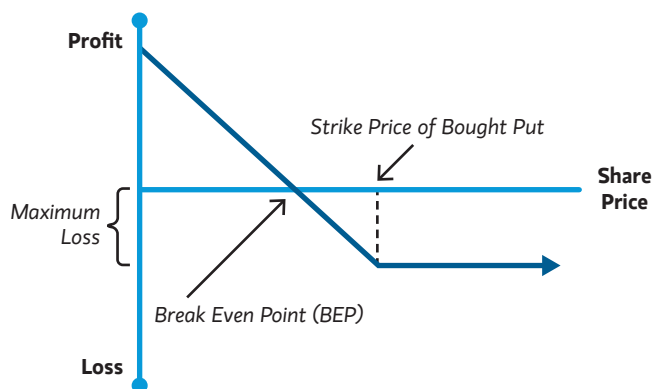
B. Purchasing call & put options

The maximum loss you may realise is the premium paid, brokerage costs and ASX Clear costs related to the purchase of the option.



Bought Call or Long Call

Example	Buy a call
Market Outlook	Bullish/Positive
Risk	Limited. Maximum Loss = Premium Paid
Reward	Unlimited
Increase in Volatility	Helps position
Time Decay	Hurts position
BEP	Strike Price plus Premium Paid



Bought Put or Long Put

Example	Buy a put
Market Outlook	Bearish/Negative
Risk	Limited. Maximum Loss = Premium Paid
Reward	Limited, but substantial
Increase in Volatility	Helps position
Time Decay	Hurts position
BEP	Strike Price minus Premium Paid

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