

Futu Securities (Australia) Ltd trading as Moomoo AU
ACN 095 920 648 AFSL 224663

TARGET MARKET DETERMINATION

US Exchange Traded Options

DATE | 10 May 2024

Target Market Determination

This document is a Target Market Determination (**TMD**) issued by Futu Securities (Australia) Ltd (ABN 51 095 920 648) (**Futu**) for the purposes of section 994B of the Corporations Act 2001 (Cth) (**Corporations Act**). This TMD describes the cohort of customers that the product is targeted at (the **Target Market**).

1 | About this TMD

Futu Securities (Australia) Ltd (**Futu, we, us, our**) is authorised by the Australian Securities and Investments Commission (**ASIC**) to issue derivatives to retail and wholesale clients. The design and distribution obligations as set out in Part 7.8A of the Corporations Act (DDO) apply to the issue and distribution of derivatives to retail clients, including exchange traded options.

A TMD is a document which describes who a product is likely to be appropriate for (the target market), and any conditions around how the product can be distributed to customers. It also describes the events or circumstances where we may need to review the TMD for a financial product. This TMD applies to our offering of US Options trading, more specifically US Exchange Traded Options (**US ETOs**).

This TMD is not a Product Disclosure Statement (**PDS**) and is not a summary of all of the product features and risks. This document does not consider any person's individual objectives, financial situation or needs. Persons interested in acquiring US ETOs should consider our PDS prior to entering into a transaction.

2 | Overview of ETOs

An option is a contract between two parties giving the taker (buyer) the right, but not the obligation, to buy or sell the underlying reference asset (which may be a security or underlying index) at a predetermined price on or before a predetermined date. To acquire this right the taker pays a premium to the writer (seller) of the contract.

Futu offers trading in US ETOs through a digital brokerage platform. Futu's group company, Moomoo US is registered with the U.S. Securities and Exchange Commission, is a member of the Financial Industry Regulatory Authority (**FINRA**), and is also registered with the Securities Investor Corporation (**SIPC**). Specific details about the trading, clearing, settlement and foreign exchange services provided are set out in our PDS.

US ETOs are Exchange Traded Equity Options and Exchange Traded Index Options traded on the US exchanges as identified in our PDS.

More specifically, Futu offers several kinds of US ETOs, including (but not limited to):

- Exchange Traded Single-stock Options (**Single-stock ETOs**), which are Options on quoted shares (or other securities) of a select group of stock exchange listed companies;
- Exchange Traded Index Options (**Index ETOs**), which are Options on a select group of stock exchange indexes; and
- Exchange Traded Zero Days to Expiration (**ODTE**) Options, which are ETOs that that expire on the same day they are traded.

For the avoidance of doubt, all US ETOs available through Futu, regardless of the underlying reference asset, fall within this TMD.

Futu allows clients to use US ETOs to engage in certain "trading strategies" depending on their personal circumstances, including:

- Long calls/puts (where you purchase, as taker, a call option or put option);
- Long protective puts (where you purchase, as taker, a put option as hedge for a particular holding in the underlying reference asset);
- Covered calls (where you sell, as writer, a call option, and hold the underlying reference asset);
- Vertical spreads (where you simultaneously purchase, as taker, a call option or put option, and sell, as writer, another call option or put option on the same underlying assets); and
- Cash-secured puts (where you sell a put and pay margin as security for your obligations if the option is exercised against you).

3 | Target Market

Futu has determined that the Target Market for US ETOs are retail clients who satisfy each of the following criteria:

- Clients above the age of 18;
- Clients who are an Australian resident;
- Clients who:
 - Understand there are risks in trading options and understand the particular risks of US ETOs; and
 - Understand the fundamentals of options and leveraged trading, including the pricing methodologies of ETOs, as well as the risk of losses, fees and costs;
- Clients with an investment objective and risk appetite that aligns with the applicable investment objectives and financial risks of the options trading level that they are applying for;
- Clients with the capacity to actively monitor their positions and take action to meet their obligations and manage any losses as required, including the potential obligations for exercises and assignments if options are held through expiry;
- Clients who have the capacity to manage the financial obligations that may arise from the options contracts they trade or positions entered into, including exercise and assignment, premium and margin calls where applicable

Likely Objectives, Financial Situation and Needs of the Target Market

Because ETOs are leveraged they are high risk and complex products that clients should understand before investing. You should read, and make sure you understand, our PDS and the risks involved before trading in US ETOs.

<p>Likely objectives</p>	<p>Objectives will include one or more of the following:</p> <ul style="list-style-type: none"> • Speculation to obtain higher returns from use of leverage • Income by obtaining premium from selling options; or • portfolio diversification and hedging
<p>Likely financial situation</p>	<p>Have sufficient level of wealth and/or income to withstanding losses when speculating or hedging using leverage</p>
<p>Likely needs</p>	<p>One or more of the following:</p> <ul style="list-style-type: none"> • Looking to make returns from small initial outlay rather than investing directly • Access leverage provided by options • Diversify investment portfolio • Speculate on potential market movements • Hedge other exposures

Clients for whom US ETOs are unsuitable

US ETOs will generally not be suitable for retail clients outside the Target Market. More specifically, US ETOs are not suitable for clients who:

- are below the age of 18;
- intend to use these as a standalone or core component of their portfolio
- do not demonstrate that they understand and accept the risks of options trading; and
- cannot afford to lose all or most of the investment.

4 | Distribution Conditions

US ETOs can only be distributed to clients of Futu by Futu, in accordance with the authorisation under Futu's AFSL. Futu takes reasonable steps to ensure that we only distribute US ETOs to the target market identified above.

To achieve this, we have several processes in place to ensure that that prospective retail clients fall within the identified target market.

Onboarding retail clients

Futu has implemented a knock-out questionnaire at the client onboarding stage, as well as our risk rating system which includes minimum wealth requirements and knowledge assessments.

Training of Staff

Futu provides training and resources to all front-line employees to ensure compliance with Futu's distribution conditions.

Marketing

Futu takes steps to ensure that any marketing is aimed at targeting prospective retail clients who fall within the identified target market.

5 | Review Triggers

A review of this TMD must be undertaken by Futu to determine if this TMD remains appropriate, if any of the following triggers occur that suggest the TMD is longer appropriate for US ETOs (**Review Trigger**):

- material or significant number of complaints received from Clients who acquire US ETOs;
- material changes to the law affecting US ETOs;
- a material incident or significant number of incidents occur, which relate to clients' use of the US ETO;
- a significant dealing in US ETOs to clients who are outside the target market occurs;
- the receipt of a product intervention order or notice from ASIC requiring Futu to immediately cease retail production distribution conduct in respect of US ETOs; or
- the material alteration of the US ETO product or US ETO terms and conditions which would cause the TMD to no longer be appropriate for US ETOs; or

- any other event or circumstance that Futu views would materially change a factor taken into account in making the TMD.

We reserve the right to amend this TMD at any time if such amendment is needed as a result of any changes to the law or regulations, regulatory guidance, or for any reason we consider as a proper reason to amend the TMD.

6 | Review Periods

This TMD must be reviewed at least annually. The initial review of this TMD occurred in April 2024. Reviews must take place within 12 months from the date of a review conducted following the occurrence of a Review Trigger.

7 | Reporting Requirements

US ETOs are not distributed by unrelated third parties, therefore no review trigger information reporting requirements are applicable to the product.