Product Disclosure Statement

U.S. Exchange Traded Options

Issuer: Futu Securities (Australia) Ltd trading as Moomoo AU
ABN 51 095 920 648 AFSL 224663
Date of Issue: 10 May 2024

Important Information: This document has been prepared without taking into account your objectives, financial situations or needs. You should consider the appropriateness of the information contained in this document in light of your personal circumstances before making investment decisions and, where necessary, seek advice from a qualified financial adviser. All hypothetical profit or loss calculations referenced in this document are for illustrative purposes only and shall not be considered as recommendation or solicitation to deal in financial products.

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1. **About this PDS**

1.1 Futu Securities (Australia) Ltd trading as Moomoo AU (**Moomoo AU, us, we, our,**) is a company registered in Australia (ABN 51 095 920 648) and holds an Australian financial services licence (**AFSL**) issued by the Australian Securities and Investments Commission (**ASIC**) (AFSL 224663). Moomoo AU is authorised under its AFSL to issue and distribute the products described in this Product Disclosure Statement (**PDS**).

1.2 This PDS describes the key features of our offering of US Exchange Traded Options (**US ETOs**) to Australian Retail clients. US ETOs are exchange traded derivatives traded on US regulated markets. We offer US ETOs through our arrangements with Futu Clearing Inc. (**Futu Clearing**), a US broker-dealer and clearing participant regulated by FINRA and the SEC, as well as a member of the OCC, DTCC and SIPC).

1.3 Before trading with us, please read and ensure that you understand the content of this PDS, the terms and conditions set out in our Terms and Conditions and any other related disclosure documents (such as our Target Market Determination (**TMD**) and Financial Services Guide (**FSG**) which we may issue from time to time). All of these documents are available on website at https://www.moomoo.com/au (our **Website**).

1.4 This PDS contains important information about our products and their associated risks to help you make an informed decision as to whether dealing in US ETOs or any other products offered by us is suitable for you. Should you have any questions in relation to this PDS, please do not hesitate to contact us.

1.5 The information in this PDS is current as at 10 May 2024. We may update this PDS from time to time where that information is not materially adverse to clients. Such updated information (if any) will be available on our Website. We may also issue a supplementary or replacement PDS at any time, which will also be available on our Website or distributed to you electronically.

2. **Trading through Futu Clearing**

2.1 As mentioned above, we offer US ETOs through our arrangements with Futu Clearing, a related body corporate of Moomoo AU.

2.2 We have an account with Futu Clearing and, when you place an order to trade in US ETOs with us, we pass that order to Futu Clearing to execute on the relevant US exchange. Futu Clearing treats Moomoo AU as its client and we, in turn, hold the resulting US ETO positions on your behalf, in our account with Futu Clearing.

2.3 Futu Clearing is a broker-dealer and clearing participant registered with and regulated by the United States Securities and Exchange Commission (**SEC**) and the Financial Industry Regulatory Authority (**FINRA**). It is also a member of the of the OCC, DTCC and SIPC, as well as the relevant US regulated exchanges on which US ETOs are able to be traded. A list of these exchanges is available on our Website.

3. **General Advice**

3.1 Moomoo AU is authorised under its AFSL to provide general financial product advice only. This means that, when you place orders with us to trade in US ETOs, we do not consider your personal or financial situation, investment strategies, targets or needs. This PDS does not constitute financial advice. You must independently consider your personal or financial situation, investment strategies, targets and needs and take reasonable steps to fully assess the possible outcomes of trades and strategies that can be employed. We recommend that you seek independent advice to ensure that US ETOs, and any particular trades or trading strategy, is suited to your personal and financial situation and needs.

3.2 When you trade in US ETOs, you are doing so based on your own knowledge and perception. As set out in our Terms and Conditions, you agree that you trade in US ETOs of your own volition, and that we will not be liable for any losses, costs, expenses or damages suffered by you arising from any inaccuracy or mistake in any information we give to you, apart from where we have committed fraud, wilful default or gross negligence, or as otherwise required by legislation.

4. US ETOs

4.1 US ETOs are exchange traded derivatives which derive their value from an underlying reference asset or index, such as a US share or a US index. Moomoo AU offers several kinds of US ETOs. These include:

US ETO	Description
Single-stock ETOs	Options on quoted shares (or other securities) of a company listed on a US Exchange
Index ETOs	Options over (i.e. referencing) a stock exchange index
Zero Days to Expiration (**0DTE**)	Options that that expire on the same day they are traded.

4.2 Details of all US ETOs able to be traded through Moomoo AU on a particular US Exchange can be found on the relevant US Exchange's website.

4.3 Before trading in US ETOs with us, you should read the below material that has been published by US Exchanges, including:

(a) The Options Industry Council's Characteristic and Risks of Standardized Options; and

(b) The Options Industry Council Options Education Resources.

4.4 Moomoo AU does not presently offer ETOs traded on the ASX. Nonetheless, we recommend that you review the following educational resources which the ASX has prepared, as these provide good and useful information on trading ETOs, the strategies available, and the risks associated with trading ETOs:

(a) Understanding Options Trading;

(b) Understanding Options Strategies;

(c) Understanding Margins;

(d) Index Options Fact Sheet; and

(e) The Taxation Treatment of Options.

5. Benefits of trading US ETOs

5.1 We summarise the potential benefits of trading US ETOs below.

(a) <u>Speculation</u>

US ETOs can be used to speculate on changing price movements in the underlying reference asset (ie. the underlying securities or index). Speculators seek to make a profit by attempting to predict market moves and buying a product, such as the US ETO, that derives its value from the movement of the underlying reference asset.

(b) <u>Access to US markets</u>

By trading US ETOs, you can gain access and exposure to US securities and US markets.

(c) <u>Leverage:</u>

US ETOs allow you to trade using leverage. For example, the initial outlay to purchase a US ETO Call Option (represented by the initial margin and other transaction costs) is less than the outlay which would be required if you were to acquire the underlying shares. This means that US ETOs allow investors to leverage their exposure to those shares and potentially increase their profits. However, this can also increase your potential losses, which we mention below.

(d) <u>Manage your risks (hedging):</u>

You can use US ETOs to hedge an existing portfolio of US securities against a drop in value of the securities.

6. Significant risks of using US ETOs

6.1 The risk for potential losses when trading US ETOs can be substantial. US ETOs are generally viewed as a risky investment that are only suitable for retail investors with a sufficient experience and understanding of the market and options.

6.2 For more information on the risks associated with US ETOs, you should read, and make sure you understand, the materials referred to in section 4 above. You should also consider seeking independent financial product in relation to any trading you undertake in US ETOs, as mentioned in section 3.1 above.

6.3 The following risks are some of the significant risks associated with US ETOs:

(a) **Leverage increases the risk of loss**: A relatively small market movement can lead to a proportionately much larger movement in the value of your position due to leverage, and this can work against you and magnify your losses.

(b) **Purchaser may lose premium paid**: US ETOs have a fixed expiry date, on which they expire and become worthless. As such, if you have purchased a US ETO, you should be aware that its value can fall rapidly, including as it approaches expiry. You may lose the premium you have paid for a position.

(c) **Seller exposed to unlimited losses**: If you are the seller of a US ETO, you may potentially incur unlimited losses if the market moves against you. If that occurs, you will be called for variation margin representing the loss in value of the position. If you fail to meet your margin obligations, we may give an instruction to Futu Clearing to close out your position, or Futu Clearing may do so of its own accord.

(d) **Seller risk of exercise of Option**: If a US ETO is exercised, and that exercise is allocated to your position as seller, you will be required to meet your settlement obligations arising from the exercise of the US ETO. For example, in the case of an ETO over listed underlying securities, you will be required to deliver the underlying securities (in the case of a Call Option) or purchase the underlying securities (in the case of a Put Option) for the amount equal to the exercise price per security.

(e) **Close out risk**: We or Futu Clearing may close out your positions in certain circumstances, as set out in our Terms and Conditions (including, for example, if you fail to meet a margin call on time).

(f) **Market risk**: As leveraged financial products, the value of US ETO positions, and your ability to open and close positions, is highly dependent on the liquidity on, and volatility of, the market operated by the relevant Exchange. This means the value of your positions can fluctuate significantly, and there is the risk that you may not be able to close out open positions at the time or price you would prefer or wish.

(g) **Foreign exchange risk**: Your positions, exposures and amounts payable and receivable with respect to US ETOs are denominated in USD. This means there is foreign currency risk associated with such exposures.

(h) **Systems risk**: We cannot guarantee that your use of the Moomoo AU Platform will be free of error. It is your responsibility to ensure that you have a stable internet and that you avoid trading where you are experiencing network issues. You and Moomoo AU (as your broker and custodian) are also exposed to the risk of system failures by Futu Clearing, relevant Exchanges and their clearing houses. System risks are an inherent risk of trading in an online environment and Moomoo AU does not accept liability for system errors.

(i) **Exposure to Futu Clearing**: We execute your orders through, and your positions are held through, Futu Clearing. Although Futu Clearing is regulated in the US, it is not regulated in Australia. This means that the regulatory protections persons have when receiving services from Futu Clearing may differ from those which apply under Australian law when dealing with an Australian financial services licensee.

6.4 Moomoo AU acts as your custodian with respect to open positions. This means that Moomoo AU and you are exposed to the risk of failure by Futu Clearing to meet their obligations to Moomoo AU (as your custodian) and to the risk of their insolvency.

6.5 Futu Clearing may benefit from executing transactions. Such benefits include interest charges, fees for certain services and, in certain situations, commissions or other transaction-based compensation for securities trades.

6.6 Brokerage accounts are protected by the Securities Insurance Protection Corporation (SIPC), which provides limited protection over an investor's cash and/or certain securities if a brokerage firm fails, subject to limitations and restrictions. SIPC does not protect against declines in market value. For details, please see www.sipc.org.

7. Trading US ETOs with us

7.1 Before trading in US ETOs, you must read and ensure that you understand the content of this PDS, our Client Services Agreement and any other related documents, such as the FSG and Target Market Determination, all of which are available on our Website.

7.2 By applying to us to trade US ETOs, you confirm that you have read and understood and these documents and accepted the Terms and Conditions for trading US ETOs. If your application is accepted, the Terms and Conditions will apply to each and every transaction in US ETOs which you enter into through us.

7.3 To assess whether you have a good understanding of the features and risks associated with US ETOs, and whether they suitable for you, we may ask you for information about your previous trading experience, your knowledge of ETO markets or your employment status or income. All prospective clients for US ETOs must pass our suitability criteria. It is important that all information you provide us is true and correct.

7.4 If we accept your application, this is not personal advice, nor is it a recommendation to trade one or more US ETOs. You confirm that you have completed the application accurately and truthfully and will inform us of any changes to your circumstances.

7.5 We may at any time decide to terminate our agreement with you with respect to US ETO trading if we consider, in our discretion, that further US ETO trading is not suitable for you (including, for example, if you cease to be within the target market as set out in our Target Market Determination) or otherwise in accordance with our Terms and Conditions.

8. Key Features of US ETOs

<u>Types of Options – Call Options and Put Options:</u>

8.1 Broadly speaking, there are two types of US ETOs - Call Options and Put Options. As an example, we describe the types of Single-stock US ETOs below:

(a) <u>Call Options:</u>

Buyers of Call Options have a right, but not an obligation to buy a specified volume of an underlying security for an agreed price, on or before the specified expiry date (depending on whether the option is American or European style). Buyers of Call Options pay a premium up front on the basis that they have limited downside risk due to not being obliged to exercise the option if the price of the underlying security increases.

Sellers of Call Options have an obligation to sell a specified volume of an underlying security for an agreed price on or before the specified expiry date (depending on whether the option is American or European style), provided the buyer exercises the option. Sellers of Call Options receive a premium, but have unlimited downside risk in the event that the price of the underlying security decreases.

(b) Put Options:

Buyers of Put Options have a right, but not an obligation to sell a specified volume of an underlying security for an agreed price, on or before the specified expiry date (depending on whether the option is American or European style). Buyers of Put Options pay a premium up front on the basis that they have limited downside risk due to not being obliged to exercise the option if the price of the underlying security decreases.

Sellers of Put Options have an obligation to buy a specified volume of an underlying security for an agreed price on or before the specified expiry date (depending on whether the option is American or European style), provided the buyer exercises the option. Sellers of Put Options receive a premium, but have unlimited downside risk in the event that the price of the underlying security increases.

8.2 Index ETOs are similar, but instead gives the holder the right (but not the obligation) to buy or sell the value of an underlying index and vice versa.

Buyers (Takers) and Sellers (Writers):

8.3 The buyer, sometimes referred to as the "taker", of a US ETO is the party that has the right (but not the obligation) to exercise the option. The seller, sometimes referred to as the "writer", of a US ETO is the party that has obligations if the option is exercised by a Buyer.

American and European style US ETOs:

8.4 An "American style" option is an option which can be exercised by the buyer at any time prior to the expiry date. The majority of US ETOs are American style.

8.5 A "European style" option is an option which can only be exercised by the buyer on the expiry date.

US ETOs are standardised contracts:

8.6 The relevant US Exchange (such as NASDAQ) establishes the terms and specifications of the US ETOs available on the exchange. This means that each US ETO has its own specifications, which are available on the exchange's website.

The terms and specifications of a US ETO are:

(a) whether the US ETO is a Call Option or a Put Option;

(b) the underlying reference asset such as the shares or index;

(c) the size of the contract, which are typically 100 shares per contract over the underlying security for Single-stock ETOs, or $10 per index point for Index ETOs;

(d) the expiry date of the US ETO and whether the option is American style or European style; and

(e) the exercise or "strike" price, which is the specified price at which the buyer of the US ETO can exercise the option.

This means that, if you wish to trade in US ETOs, the only terms which are negotiable on the relevant exchange are (a) the number of US ETO contracts which you wish to buy or sell; and (b) the premium.

Deliverable vs. Cash Settled ETOs:

8.7 Single-stock ETOs are generally deliverable. This means that, if the US ETO is exercised by the buyer:

(a) in the case of a Call Option, the seller is required to deliver the underlying securities to the buyer, and the buyer is required to pay agreed exercise price; and

(b) in the case of a Put Option, the buyer is required to deliver the underlying securities to the seller, and the seller is required to pay agreed exercise price.

8.8 Index ETOs are typically cash settled. This means that the buyer and seller settle their obligations under the option contract via the payment and receipt of a cash amount.

Adjustments for corporate actions and other events:

8.9 If the underlying security for an ETO changes (for example, due to a corporate action, special dividend or merger), the relevant exchange may make adjustments to the contract specifications of a US ETO to reflect those changes.

8.10 Changes can be made to contract size, exercise price, expiry date, the number of contracts available, and the underlying security. These changes could potentially affect the value of your US ETO positions. As such, you must carefully monitor all US ETO adjustments to ensure your position still falls within your investment strategy.

Trading Hours:

8.11 US ETOs are normally able to be traded within regular US market hours of 9:30am to 4:00pm EST. However, some US ETOs can be traded until 4:15pm EST.

Trading on our around expiry date of ETO:

8.12 On the expiry date of a Single-stock US ETO, if you wish to place an order to open a new position in the 2 hours prior to market close, you will only be permitted to do so if there is sufficient cash or underlying securities in your Account to meet your exercise or assignment obligations should they arise.

8.13 On the expiry date of an Index ETOs, if you wish to place an order to open a new position in the 15 minutes prior to market close, you will only be permitted to do so if there is sufficient cash in your Account to meet your exercise or assignment obligations should they arise.

9. US ETO trading strategies available to Moomoo AU clients

9.1 Although there are many trading strategies which can be deployed with respect to US ETOs, Moomoo AU will only permit its clients to execute the following trading strategies through Moomoo AU:

Strategy	Description	Reason (example for Single-stock ETOs))
Long calls/puts	The purchase of a Call Option or Put Option	To lock in a price at which you will buy (in the case of a Call Option) or sell (in the case of a Put Option) the underlying securities should you choose to exercise the option.
Long protective puts	The purchase of a Put Option over underlying securities, where the client holds the underlying securities	You hold the underlying securities and wish to lock in a price at which you will sell the underlying securities should you choose to exercise the Put Option.
Covered call	The sale of a Call Option over underlying securities, where you hold the underlying securities to deliver to the counterparty if the option is exercised by the counterparty.	You hold the underlying securities and wish to earn the option premium. You are happy to sell the underlying securities at the exercise price if the option is exercised by the counterparty.
Vertical spread	The buying (or selling) a Call or a Put Option and simultaneously selling (or buying) another Call or Put Option at a different exercise price, but with the same expiry date.	You wish to minimise loss, or increase profit, based on a movement in the price of the underlying securities in the range between the two exercise prices.
Cash-secured puts	The sale of a Put Option over underlying securities, where you hold sufficient cash to cover the purchase of the securities if the option is exercised by the counterparty.	You have sufficient cash and wish to earn the option premium. You are happy to purchase the underlying securities at the exercise price if the option is exercised by the counterparty.

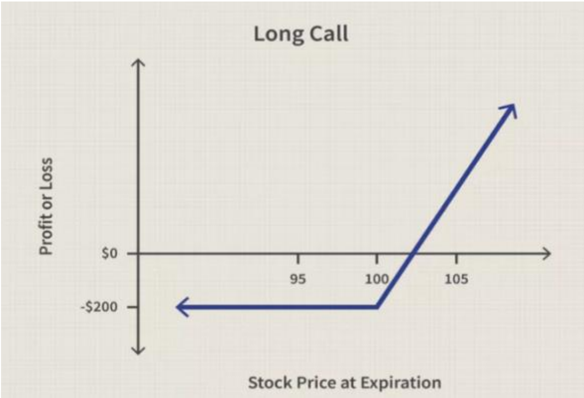
9.2 The strategies available to you will depend on the extent to which you hold the required cash or underlying securities. We may also add or remove your access to certain trading strategies from time to time at our sole discretion.

9.3 For more information on trading strategies, please refer to our Website, as well as the educational material referred to in section 4.3 above.

9.4 We set out some worked examples to assist you in understanding what strategies might be suitable for you below.

10. Worked Examples of US ETO trading strategies available to Moomoo AU clients

<u>Long Call:</u>

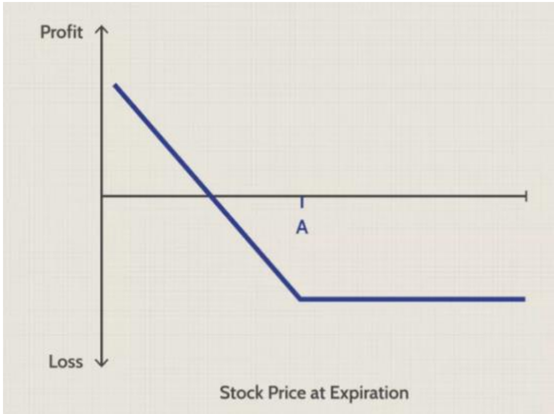
Market Outlook: Bullish Risk: Limited (premium) Reward: Unlimited Increase in Volatility: in favour Time Decay: out of favour Break-Even Point ("BEP"): Strike price plus premium paid	

10.1 Imagine Apple is trading at $110 at expiry, the strike price for the option contract (consisting of 100 shares) is $100, and the options cost the buyer $2 per share; the profit is $110 - ($100 + $2) = $8 minus fees and commissions. If the buyer bought one options contract, their profit equals $800 ($8 x 100 shares) minus fees and commissions; the profit would be $1,600 (minus fees and commissions) if they bought two contracts ($8 x 200).

10.2 Now, if Apple is trading below $100 at expiry, the buyer would not ordinarily exercise the option to buy the shares at $100 apiece, and the option expires worthless. The buyer loses $2 per share, or $200, plus any fees and commissions paid, for each contract they bought.

10.3 Alternatively, the buyer can close out their position at any time prior to expiry, by selling the call at market price, to realise gains or cut losses.

Long Put:

Market Outlook: Bearish Risk: Limited (premium) Reward: Limited (strike price, if underlying falls to zero) Increase in Volatility: in favour Time Decay: out of favour BEP: Strike price minus premium paid	

10.4 Let's assume Apple Inc. (AAPL) is trading at $170 per share and an investor anticipate a fall of about 10% ahead of a new product launch. The investor decides to buy 10 put options with a strike price of $155 and at a premium of $0.45. The investor's total long put options position outlay is $450 plus fees and commissions (100 shares x 10 contracts x $0.45 = $450 plus fees).

10.5 If the share price of Apple falls to $154 immediately before expiry, the put options are now worth $1.00. That is because the investor could exercise them and sell 1,000 shares at $155 and then immediately buy it back for $154.

10.6 Your total long put options position is now worth $1,000 (less any fees and commissions), or (1,000 shares x $1.00 = $1,000). Your profit on the position is 122% = ($1,000-450)/450. Going long put options allowed you to realize a much greater gain than the 9.4% fall in the underlying stock price.

10.7 Alternatively, if Apple shares rally to $200 immediately before expiry, the 10 option contracts would expire worthless, resulting in you losing your initial outlay cost of $450 plus other fees and commissions).

10.8 Of course, the buyer can close out their position at any time prior to expiry, by selling the put at market price, to realise gains or cut losses.

<u>Covered Call</u>

Market Outlook: Neutral to slightly bullish Risk: Limited (fall in share price will result in actual loss, whereas extremely bullish share price means forgone opportunity) Reward: Limited (premium) Increase in Volatility: out of favour Time Decay: in favour BEP: Starting share price minus premium	

10.9 Let's assume an investor owns shares of a hypothetical company called TSJ. Although the investor takes a long-term bullish view on TSJ and its share price, they believe the stock will likely trade relatively flat in the shorter term, perhaps within a couple of dollars of its current price of $25.

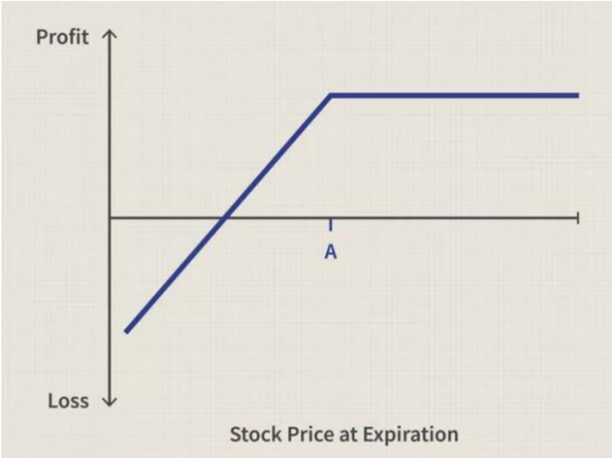
10.10 If they sell a call option on TSJ with a strike price of $27, they earn the premium from the option sale but, for the duration of the option, cap their upside on the stock to $27. Assume the premium they receive for writing a three-month call option is $0.75 ($75 per contract or 100 shares). One of two scenarios could play out:

(a) TSJ shares trade below the $27 strike price. The option will expire worthless and the investor will keep the premium from selling the option. In this case, by using the buy-write strategy they have successfully outperformed the stock. They still own the stock but have an extra $75 in their pocket less fees and commissions.

(b) TSJ shares rise above $27. The option is exercised, and the upside in the stock is capped at $27. If the price goes above $27.75 (strike price plus premium), the investor would have been better off not having written the call option. Having said that, if the investor had wanted to sell at $27 anyway, writing the call option will have given them an extra $0.75 per share (less fees and commissions).

10.11 Alternatively, the investor can exit the covered call strategy at any time prior to the option's expiry, by buying the call back at market price, to realise floating gains or cut losses and keep their TSJ shares.

Cash-covered Put:

View: Neutral Risk: Limited but potentially substantial (max loss equals strike price minus premium if stock is assigned at strike then falls to zero. Reward: Limited (premium) Increase in Volatility: out of favour Time decay: in favour BEP: Strike price minus premium	

10.12 Assume TSLA shares are trading at $150. An investor has $14,000 cash available and wouldn't mind buying 100 shares of TSLA at $140 apiece. The investor would like to generate some additional income while waiting for the desired buying opportunity rather than simply place a limit order in TSLA shares.

10.13 The investor writes one put option with a strike price of $140, expiring in two months, for $5, while setting the $14,000 cash aside. The premium earned from the buyer of this contract is then ($5 X 100 = $500) less any fees and commissions. Now let's look at the two possible scenarios at expiry, two months later:

(a) TSLA shares fall below $140 at expiry. The option is exercised by the buyer, which requires the investor to buy 100 TSLA shares from the buyer at $140 apiece, for a total consideration of $14,000. This settlement obligation is met by the cash set aside by the investor when writing the put, and the investor has also received $500 cash from the premium (minus fees and commissions) they received on writing the option. The investor will have paid more for the TSLA shares than they would have been able to purchase them on the market. Also, if TSLA shares continue to fall, then the investor, now a holder of 100 TSLA shares, will suffer further losses on this holding.

(b) TSLA shares continue to trade above $140 at expiry. The option expires worthless (because it is assumed that the buyer of the option would not exercise the right to sell the shares at $140, given they can sell for a higher price on the market)., The investor keeps the $14,000 cash initially set aside, plus the $500 premium collected (minus fees and commissions), but has not bought any TSLA shares.

10.14 Alternatively, the investor can exit the cash-covered put strategy at any time prior to the option's expiry, by buying the put back at market price, to realise any floating gains or cut losses and keep the $14,000 cash set aside.

<u>Vertical Spread (Bull Call Spread)</u>

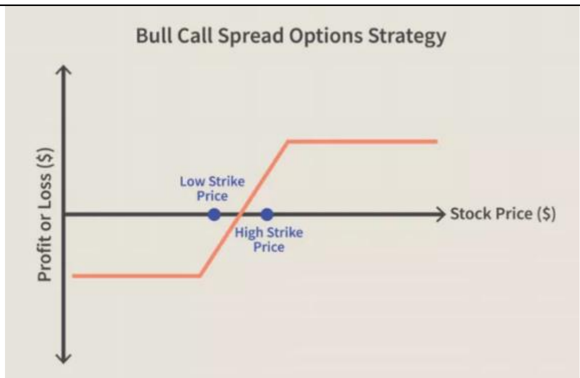
<table>
<tr>
<td>Market outlook: Bullish

Risk: limited

Reward: limited

Increase in volatility: depends on strikes chosen

Time decay: depends on strikes chosen

BEP: strike plus net premium outlay (if any)</td>
<td>
</td>
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10.15 Let's assume a moderately optimistic investor takes a bullish view on the Standard & Poor's 500 Index (SPX), however, that investor is also convinced that the index should not rise above a certain level of approximately 4405.

10.16 Assume the SPX is at 4402. The investor purchases one two-month SPX 4400 call for a price of $33.75, and at the same time sells one two-month SPX 4405 call and receives $30.50. The total net debit (outlay) for the spread is $33.50 – $30.75 = $2.75 x 100 contract multiplier = $275.00 (plus fees and commissions).

10.17 This is known as a vertical spread. By purchasing the vertical spread the investor is speculating that at expiry, the SPX will have risen moderately to a level above the break-even point: 4400 strike price + $2.75 (the net debit paid), or an SPX level of 4402.75. The investor's maximum profit potential is therefore capped at: 4405 (higher strike) – 4400 (lower strike) = $5.00 – $2.75 (net debit paid) = $2.25 x $100 multiplier = $225 total (minus fees and commissions).

10.18 This profit would remain unchanged no matter how high the SPX index has risen by expiry. Also,the downside risk for the vertical spread is capped entirely at the total $275 premium paid for the spread no matter how much the SPX index declines.

10.19 Before expiry, if the vertical spread becomes profitable the investor is free to close out their position to realize this gain. On the other hand, if the investor's moderately bullish outlook proves incorrect and the SPX index declines in price, the call spread might be closed out to realize a loss less than the maximum.

11. Opening a US ETO position

11.1 When you first buy or sell a US ETO, you are opening a position. You can seek to do this by placing your order online via our Platform. We will then pass that order to Futu Clearing.

Whether your order is executed will depend on the extent to which Futu Clearing is able to execute your order on the relevant US Exchange.

11.2 Once a US ETO position has been established, the things you can do with your open position depends on whether you are the buyer or seller of the US ETO. For example, only the buyer of a US ETO has the right to exercise the option.

12. Closing out a US ETO position

12.1 You may wish to close out of a position to take a profit, limit a loss and/or remove the risk of unwanted early exercise.

12.2 To close out an existing open position, you do so by entering into a new transaction opposite to the position you are seeking to close out. For example, if you are the seller of a US ETO, you cancel out your position by buying a US ETO in the same contract series.

12.3 You can seek to close an open position by placing an order to close out the position online via our Platform. We will pass that order to Futu Clearing. Whether your order is executed will depend on the extent to which Futu Clearing is able to execute your order on the relevant US Exchange. If it does so, your trade will close out the open position.

13. Premium

13.1 The premium is the price of the option which is negotiated between the buyer and seller of the US ETO on the relevant exchange. Premiums are generally quoted on a cents-per-share basis for Single-stock ETOs and a points basis for Index ETOs.

13.2 The amount of the premium primarily depends on how far the price of the underlying security or index is from the exercise price, the length of time to the expiry date, and the volatility of the price or value of the underlying reference asset. The more volatile the underlying reference asset, or the longer to expiry, then the higher the premium (other things being equal).

13.3 The amount of the premium is determined differently depending on the type of US ETO:

(a) <u>Single-stock ETOs:</u>

The premium for an Single-stock ETO is quoted on a cents per underlying security basis, this means that the premium payable is calculated by multiplying the premium amount by the number of the underlying securities represented by the option.

For example, if you buy a Call Option with a premium quoted at $0.25 per share and the contract size is 100 the total premium is $25.00 (being $0.25 x 100).

(b) <u>Index ETOs:</u>

The premium for an Index ETO is calculated by multiplying the premium (specified in the number of points of the index) by the index multiplier.

For example, a premium of 50 points with an index multiplier of $10.00 represents a total premium cost of $500.00 per contract.

14. **Valuing US ETOs**

14.1 The value of a US ETO is comprised of its intrinsic value and its time value:

(a) Intrinsic value is the difference between the US ETO's exercise price and the price of the underlying reference asset; and

(b) Time value is the amount a buyer is willing to pay for the possibility that the market will move in their favour before the expiry date. Generally, time value falls as an option approaches expiry.

14.2 When discussing the time value of an option, it is typically phrased as whether an option is in, at, or out of the money. For example:

(a) Where the exercise price of a Call Option is less than the price of the underlying security, the Call Option is in the money;

(b) Where the exercise price of a Call Option is the same as the price of the underlying security, the Call Option is at the money; and

(c) Where the exercise price of a Call Option is more than the price of the underlying security, the Call Option is out of the money;

The inverse is true in the case of Put Options.

15. **Clearing of US ETOs**

15.1 When Futu Clearing enters into a US ETO for you (through Moomoo AU's omnibus account with Futu Clearing), the resulting transaction is cleared through the Clearing House for the relevant exchange.

16. **Margin – initial margin and variation margin**

16.1 There are two key types of margin in relation to US ETOs, these are initial margin and variation margin.

Initial margin:

16.2 The Clearing House will call Futu Clearing for initial margin with respect to each US ETO position registered with the Clearing House. The initial margin is an amount determined by the Clearing House and represents a small percentage of the overall position value. Futu Clearing will, in turn, call Moomoo AU (as your custodian) for this amount.

16.3 Moomoo AU will debit your Account for an amount of initial margin from you (which may be greater than the amount of initial margin called by the Clearing House). We will notify you of the amount.

16.4 In order to place an order with us to open a US ETO position, you must have sufficient funds in your Account to cover the relevant initial margin before we place an order for you to enter into a US ETO position. If you place an order with us to open a US ETO position, but do not have sufficient funds in your Account to cover the initial margin for that position, we will not execute your order.

Variation margin:

16.5 Each day, and potentially intra-day, the Clearing House will determine the value of each ETO position and undertake a process known as "marking to market", having regard to the price at which the relevant US ETO is trading on the market. This means that if the value of the position has fallen since its prior mark to market, the Clearing House will call Futu Clearing (or the clearing broker) for the difference in value from the prior mark to market. This difference is called "variation margin". If the value of the position has increased then the amount of variation margin will be payable by the Clearing House to Futu Clearing (or the clearing broker). Futu Clearing will, in turn, call Moomoo AU (as your custodian) for the amount of variation margin, or credit the amount to Moomoo AU (as your custodian) if the position has moved favourably. If Moomoo AU is called for variation margin we will, in turn, call this amount from you.

16.6 Where we call an amount of margin from you, and you have available funds in your Account with us, you authorise us to use such funds to meet the margin call. If you do not have available funds in your Account sufficient to meet the margin call, you must pay the amount we call from you within the time we specify under our Terms and Conditions. If you fail to meet a margin call, we may (among other things) close out one or more of your open positions.

17. When do US ETOs expire?

17.1 US ETOs have a finite life span. They expire on their expiry date. All US ETOs within the same options series have the same expiry date. Expiry dates are standardised and set by the relevant exchange.

17.2 As noted above, US ETOs are either American style or European style options. American style options can be exercised at any time prior to the expiry date. European style options can only be exercised on the expiry date.

17.3 If you wish to exercise an American-style US ETO prior to its expiry, you must contact us in advance of that expiry so that we can discuss with you the time by which you must confirm the exercise of the option, and the process which must be followed.

18. Automatic exercise where option is "in the money"

18.1 If you are the buyer of a US ETO position, that position is "in the money" on the expiry date and you have (as applicable) the required cash or securities to settle your obligations upon exercise of the option, we will automatically exercise your position. This is because all unexercised US ETO contracts will expire on the expiry date which means that, if not exercised, you would lose the "in the money" value of the position.

18.2 If you are the buyer of a US ETO position, that position is "in the money" on the expiry date and you do not have (as applicable) the required cash or securities to settle your obligations upon exercise of the option, we will seek to close out your position to realise some value prior to the expiry of the option.

18.3 If you are the buyer of a US ETO position and the position is "out of the money" or "at the money", we will allow the option to lapse.

19. Settlement of a US ETO following exercise

19.1 Your obligations relating to settlement are contained in our Terms and Conditions.

19.2 On the exercise of a Single-Stock ETO by the buyer, the exercise is assigned to an open position of a seller and a contract for the sale and purchase of the underlying securities at the exercise price will arise between the buyer and the seller. The parties to this transaction must then settle that transaction in the underlying securities.

19.3 Settlement for Index ETOs differs due to Index ETOs being cash settled. When an Index Option is exercised by the buyer and the exercise is assigned to an open position of a seller, the seller must pay the cash settlement amount to the buyer.

19.4 The obligations arising on settlement must be met by the times specified in our Terms and Conditions.

20. Client Money

20.1 In accordance with the Corporations Act, monies and securities which we receive from you or Futu Clearing in relation to our dealing in US ETOs on your behalf, must be handled by us in accordance with the provisions of the Corporations Act and Corporations Regulations which govern "client money". Such money, when received by us, must (subject to limited exceptions) be paid into our segregated client money trust account and may only be withdrawn and used for purposes specified in the Corporations Act and associated Regulations.

20.2 We are permitted to use money we receive from you to meet your margin obligations to us and/or Futu Clearing, as well as to meet any other obligations which arise in connection with your dealings in US ETOs through us.

21. Account termination

21.1 Moomoo AU may close all of your open positions, including cancellation of any active open orders and terminate your Account in response to a range of default events and forbidden trading practices in accordance with our Terms and Conditions.

22. Fees and Charges

22.1 Trading in US ETOs will incur various fees and charges, some of which may be more complex than typical commissions arising from securities trading. It is highly recommended that clients carefully read, consider and understand the relevant fees structure before placing orders in US ETOs.

Various external institutions and regulatory bodies may also charge fees, charges and tariffs on US ETO transactions, including the exchanges, the SEC, FINRA and the OCC. These fees are passed-through on to client's accounts by Moomoo AU, which are collectively referred to as “Pass-Through Fees”.

22.2 A complete list of current fees, charges and Pass-Through Fees for US ETOs can be accessed via the our Website under the “Pricing” - “Options” tab, which may be updated from time to time.

23. Disclosure of Interests

23.1 We do not have any relationships or associations which might influence our ability to provide you with our services. However, you may have been referred to us by a third party who may receive a commission, fee or other non-financial benefit. You may request particulars of any commission or benefits payable to a third party by contacting us directly. However, we will generally disclose such commission, fee or other non-financial benefit, prior to the conclusion of any transaction in accordance with our regulatory obligations.

24. Personal Information

24.1 We may collect and hold a range of personal information about you to provide you with our services. For example, we are required under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) to collect certain personal information and to verify your identity. We are committed to ensuring that we comply with our obligations under the Privacy Act 1988 (Cth). For more information on what information we collect, what we use this information for and how we handle and store your information, please refer to our Privacy Policy which is published on our Website.

24.2 If you are visiting our Website, our Privacy Policy (including our use of cookies) shall also apply to you. As a visitor, you will not be able to place orders on our Platform until you have applied, and we have accepted your application.

25. Insurance

25.1 Moomoo AU has arrangements in place to maintain adequate indemnity insurance as required by law. This insurance provides cover for claims made against us and our representatives. Please note that you do not have a direct claim under this insurance. Your claim will be submitted to us and will be handled in accordance with our complaints process.

26. Taxation

26.1 The taxation implications for you of trading in US ETOs will depend on your individual circumstances and other relevant factors.

26.2 Taxation laws are complex, and it is your responsibility to understand and consult a tax advisor before completing a transaction with us.

27. Dispute Resolution

27.1 If you have a complaint which you want us to investigate and resolve, you should contact us and let us know. Details about how we handle complaints can be found in our Complaint Policy which is available on our Website.

27.2 If your complaint is not resolved to your satisfaction within 30 days, you have the right to lodge a complaint with the Australian Financial Complaints Authority (**AFCA**), an approved external dispute resolution scheme, of which we are a member using the contact details below.

27.3 You can contact AFCA on the following details:

Address	GPO Box 3, Melbourne, Victoria 3001, Australia
Website	www.afca.org.au
Email	info@afca.org.au
Telephone	1300 56 55 62
Fax	(03) 9613 6399

For more information about submitting your complaint to the AFCA, please refer to the following link: https://www.afca.org.au/make-a-complaint

28. Definitions

28.1 If Capitalised terms in this PDS have the following definitions:

(a) **Account** means a account for dealing in any products that Moomoo AU offers under the terms of its AFSL

(b) **AFSL** means Australian Financial Services Licence

(c) **ASX** means the Australian Securities Exchange.

(d) **Call Option** has the same meaning as set out in paragraph 8.1(a)

(e) **CBOE** means the Chicago Board Options Exchange.

(f) **Clearing House** means the designated intermediary between the buyer and seller in a financial market, who validates and finalises each transaction.

(g) **Corporations Act** means the Corporations Act 2001 (Cth).

(h) **ETOs** mean Exchange Traded Options, which are described in more detail at paragraph 4.1.

(i) **FSG** refers to our Financial Services Guide.

(j) **Futu Clearing** means Futu Clearing Inc.

(k) **NASDAQ** means the Nasdaq Stock Market.

(l) **Platform** means the platform which we make available to you for you to place orders to trade in US ETOs. The Platform is accessible via our app or Website.

(m) **PDS** refers to this Product Disclosure Statement.

(n) **Put Option** has the same meaning as set out in paragraph 8.1(b).

(o) **Retail Client** has the same meaning as in section 761G of the Corporations Act.

(p) **Single-stock ETOs** has the same meaning as in paragraph 4.1.

(q) **Terms and Conditions** refer to our Client Services Agreement with you, in addition to any other terms of conditions which govern our dealings with you from time to time.

(r) **US ETOs** means the US Exchange Traded Options referred to in this PDS.

(s) **US Exchange** means an exchange which lists US ETOs, and includes, for example, NASDAQ and CBOE.

(t) **Website** means https://www.moomoo.com/au.

(u) **Zero Days to Expiration** or **0DTE ETOs** has the same meaning as in paragraph 4.1.