

Geared Investments Loan Covered Call Agreement

This agreement is made between Commonwealth Bank of Australia ABN 48 123 123 124 of Ground Floor, 11 Harbour Street, Sydney, New South Wales ("**Bank**") and The Borrower named in Item 1 of the Schedule ("**Borrower**").

Background

The Bank offers to make available to the Borrower a facility under which the Borrower may write *options* (as defined in clause 1.1) in respect of certain *financial products* on the following terms and conditions.

Section 1 – Operative Part

1. Definitions and Interpretation

1.1 Definitions

In this agreement unless the context otherwise requires:

acceptable collateral means property which the Bank agrees to being *collateral*.

ASX Clear means ASX Clear Pty Limited ABN 48 001 314 503 and its successors (previously known as Australian Clearing House Pty Limited);

ASX Clear security form means any form or notice required by *ASX Clear* which is received from the *participant* and sets out the *financial products* required to be lodged with, or withdrawn from, *ASX Clear* being *collateral* for an *option*.

Loan Limit has the meaning in the *Commonwealth Bank Geared Investments Loan Terms and Conditions*.

ASX means the ASX Limited and its successors (ABN 98 008 624 691).

call option has the meaning as defined under the *Rules*.

client account has the meaning in the *Rules*.

client agreement has the meaning in the *Rules* and, where the context requires, means the *client agreement* entered into between the *participant* and the Borrower.

collateral has the meaning in the *Rules*.

costs includes charges and expenses; and costs, charges and expenses in connection with legal, financial and other advisers on a full indemnity basis.

cover has the meaning in the *Rules*.

derivative has the meaning in the *Rules*.

exercise price has the meaning in the *Rules*.

expiry date has the meaning in the *Rules*.

Loan Agreement means the *Loan Agreement* in the *Commonwealth Bank Geared Investments Loan Terms and Conditions* created when we accept the Borrower's application for a *Loan*.

financial product has the meaning in the Corporations Act 2001 (Cth).

Investment Loan Account means the Borrower's margin lending account with the Bank as specified in Item 2 of the Schedule.

nominee means State Nominees Limited (ABN 14 000 677 350).

option means a *specific cover call option* and any other type of option contract the Bank notifies the Borrower from time to time.

option margin means the relevant margin charged by *ASX Clear* from time to time.

out of the money means in respect of a *call option* on a given day where the market price of the *underlying financial products* is below the *exercise price* under the *call option*.

Section 1 – Operative Part (continued)

participant has the meaning in the *Rules* and, where the context requires, means the person who the *nominee* is authorised to enter into a *client agreement* with under clause 6.1.

premium has the meaning in the *Rules*.

procedures means the procedures and requirements for the writing of *options* required by the Bank as notified to the Borrower and the relevant *participant* from time to time.

risk disclosure statement means a risk disclosure statement that the *participant* requires the Borrower to sign in connection to the Borrower's entry into the *client agreement*.

Rules means the ASX Clear Operating Rules and Procedures as amended from time to time.

secured property means *financial products* over which the borrower has provided to the Bank a mortgage, charge or other encumbrance of any nature in relation to the *Investment Loan Account*.

specific cover call option means a *call option* under which the number and type of *financial products* to be provided to ASX Clear as collateral in respect of it are the same as the *underlying financial products*.

sponsorship agreement has the meaning in the *Loan Agreement*.

transaction document means this agreement and any other document defined in the *Loan Agreement* as a transaction document or which the Bank agrees is a *transaction document*.

underlying financial products means in relation to an *option*, *financial products* which must be transferred upon its exercise.

1.2 Interpretation

In this agreement, unless a contrary intention appears:

- a. words denoting the singular number include the plural and vice versa;
- b. words denoting any gender include every other gender;
- c. a reference to any legislation includes all regulations and other instruments under the legislation and all amendments, replacements, consolidations, re-writes or re-enactments of such legislation, regulations and instruments;
- d. a reference to a person includes that person's successors and permitted assigns; and
- e. where there is more than one person comprising any party to this agreement, this agreement binds each of them separately and every two or more of them jointly.

2. Option Trading Facility

2.1 Subject to clause 2.3, the Bank agrees to make available to the Borrower, a facility that enables the Borrower to write certain *options* in respect of certain *financial products* held by the Borrower (or *nominee*), under a *sponsorship agreement*. The Borrower may utilise the facility by following the procedures outlined in this agreement and as notified to the Borrower from time to time.

2.2 The Borrower must notify the Bank if the Borrower wishes to utilise the facility. The notice from the Borrower must:

- a. nominate to the Bank the *participant* that the Borrower wishes to use for the purposes of entering into *derivatives*; and
- b. be accompanied by any other document required by ASX Clear that the Bank notifies the Borrower from time to time

2.3 The Bank will only allow the Borrower to utilise the facility if:

- a. the Borrower is not in default under any *transaction document*; and
- b. the Borrower has satisfied all of the requirements necessary before the Bank will lend money under the *Loan Agreement*; and
- c. the amount then outstanding under the *transaction documents*, when added to the *option margin*, will not exceed the *Loan Limit*; and

Section 1 – Operative Part (continued)

- d. the Borrower has given the Bank any approval, document or information which the Bank reasonably requests which is satisfactory to the Bank (including as to its stamping and registration); and
- e. the *participant* nominated by the Borrower:
 - i. is acceptable to the Bank; and
 - ii. has complied with all the Bank's requirements in connection with the provision of this facility; and
- f. a *client agreement* has been entered into with the *participant* and the Borrower as client; and
- g. the Borrower has paid to the Bank, *nominees* or the *participant* (as the case may be) any fees required to be paid under the terms of this agreement or the *client agreement*.

3. What the Borrower Agrees to Do

3.1 The Borrower may only use this facility for the purpose of writing *options* (as defined in clause 1.1). *Options*:

- a. may only be written in respect of *underlying financial products* which:
 - i. are part of the *secured property* and wholly owned by the Borrower in the same name as the Borrower's *client account* with the *participant*; or
 - ii. the Borrower has purchased through the *participant* in the same name as the Borrower's *client account* with the *participant* and the Bank determines that there are sufficient funds in the Borrower's *Investment Loan Account* to settle the relevant purchase confirmation contract note; and
- b. must be *out of the money* on the date they are written unless otherwise agreed by the Bank; and
- c. must be written by the Borrower and executed by the relevant *participant* in accordance with the procedures.

3.2 The Borrower directs and authorises the Bank or *nominee* (as the case may be) to lodge *underlying financial products* forming part of the *secured property* with ASX Clear as margin if required by either the *participant* under the *client agreement* or ASX Clear (as the case may be) immediately upon the receipt by the Bank of an ASX Clear *security form* in respect of any *option* the Borrower writes with the *participant*.

3.3 If the Bank, *nominee* or the *participant* requests, the Borrower must deposit or lodge with the *participant* such *acceptable collateral* as and when required under the *client agreement* to enable the *participant* to meet its obligations under the *Rules* to provide cover.

3.4 The Borrower must, by the time specified in the *client agreement* or, if no time is specified, within 24 hours

- a. pay to the *participant* any amount which the *participant* asks the Borrower to pay under the *Rules*; or
- b. provide security for the amounts referred to in clause 3.4a. in a form acceptable to the *participant*.

3.5 The Borrower must immediately notify the Bank if the Borrower is unable to comply with its obligations under clause 3.4.

3.6 The Borrower must do all that is necessary to ensure that any *premium* payable to the Borrower in connection with an *option* is paid directly in to the *Investment Loan Account*.

3.7 The Borrower must pay the Bank:

- a. the fee the Bank specifies from time to time for providing the facility set out in this agreement; and
- b. the Bank's costs incurred in connection with this agreement, including any taxes, duties, fees or fines the Bank has to pay or amounts the ASX Clear requires the Bank to pay in connection with the lodgment of *secured property* with ASX Clear.

Section 1 – Operative Part (continued)

4. What the Bank May Do

4.1 The Borrower agrees

- a. **(lodgment of financial products)** if the Bank receives an *ASX Clear security form* from the *participant*, the Bank may instruct Commonwealth Securities Limited as sponsoring *participant* under the sponsorship agreement to lodge any *financial products* with *ASX Clear* or the *participant* for lodgment with *ASX Clear* in support of the Borrower's obligations under the *client agreement* or *options*;
- b. **(buy-back option contract)** the Bank may do all things necessary to buy back any *option* at the Borrower's expense and sell the underlying financial product in the event the Borrower is in default under any *transaction document*;
- c. **(receipt of premium)** any *premium* payable to the Borrower in connection with an *option* that has been paid to the Bank will be credited to the *Investment Loan Account*.
- d. **(instructions)** the Bank may give instructions to the *participant* in relation to any *option* the Borrower has written on the Borrower's *client account*; and
- e. **(make payments)** and authorises and directs the Bank in relation to any *option* the subject of this agreement, to:
 - i. provide cash security cover to *ASX Clear* or the *participant* to lodge with *ASX Clear* (as the case may be) in respect of any *option* the Borrower writes; and
 - ii. pay any amount owing to *ASX Clear* under the *Loan Agreement* or under the *client agreement*; and
 - iii. pay the *participant* any amount the Borrower owes the *participant* under the *client agreement*; and
 - iv. pay the *participant* any amount required to reduce any debit balance in the Borrower's *client account* to nil,and acknowledge that any such amount and any amounts payable under clause 3.7 will be debited directly to the *Investment Loan Account*.

5. Declarations, Undertakings and Acknowledgements

5.1 The Borrower

- a. **(representations)** repeats for the Bank's benefit all the representations, warranties, declarations, acknowledgements he/she or it has made in the *client agreement*; and
- b. **(client agreement)** declares that he/she or it is able to fulfil all obligations under the *client agreement*; and
- c. **(collateral)** declares that he/she or it solely owns any *acceptable collateral* lodged or deposited with *ASX Clear* or a *participant* in accordance with the terms of this agreement and any such *financial products* are held in the same name as the relevant *client account* with the *participant*; and
- d. **(other rights)** declares that no-one else has any rights affecting any *acceptable collateral* (such as other mortgages or the rights of a beneficiary under a trust); and
- e. **(transactions)** acknowledges that he/she or it is bound by the *Rules* and the procedures, customs, usages and practices of the ASX in so far as they apply to *derivatives* traded on the ASX on its behalf; and
- f. **(Explanatory Booklet)** represents that he/she or it has received from its *participant* or other means, read and understood a copy of the current Explanatory Booklet published by the ASX in respect of each derivative; and
- g. **(Risk Disclosure Statement)** acknowledges that he/she or it has read and understood the *risk disclosure statement*. The Bank has not prepared any of the Explanatory Booklet or the *risk disclosure statement* and does not rely on the Explanatory Booklets or *risk disclosure statement* as a complete explanation of the risks involved in *options* trading; and
- h. **(No Personal Recommendations)** acknowledges that the Bank has not provided the Borrower with personal recommendations or advice based on their investment objectives, financial position and particular needs. This means that when the Bank advises the Borrower,

Section 1 – Operative Part (continued)

the Borrower does not rely on the Bank's advice and the Borrower makes their own decisions or seeks advice from their financial adviser on whether the financial product suits their needs. The Bank will not be liable for any advice given if the financial product does not suit the Borrower's needs, unless caused by the Bank's negligence, fraud or wilful misconduct; and

- i. **(Transaction Document)** agrees that this agreement is a Transaction Document for the purposes of the *Loan Agreement*.

5.2 The Borrower agrees

- a. **(no other security)** to make sure that no-one else obtains any rights over *acceptable collateral* lodged or deposited by with *ASX Clear* or the *participant* (as the case may be) under the terms of this agreement; and
- b. **(instructions)** not to give any instructions to the *participant* which are inconsistent with any instruction given by the Bank to the *participant*; and
- c. **(indemnity)** to indemnify the Bank against any loss the Bank incurs in connection with:
 - i. any dealing in an *option* or *underlying financial products* by the Borrower; and
 - ii. the Bank's reliance on any instruction contemplated in this agreement; and
 - iii. any failure by the Borrower to comply with this agreement; and
 - iv. any payment the Bank makes under clause 4e except where such loss is caused by the Bank's negligence, fraud or wilful misconduct.

This is a continuing indemnity. It is not necessary for the Bank to incur any expense or make any payment before enforcing that right to indemnity; and

- d. **(Notice of Identification)** that this agreement is a notice of identification in respect of its *client account* with each *participant* nominated under clause 2.2a.; and
- e. **(ASX Clear has priority over the Bank)** *ASX Clear's* interest in collateral has priority over any security interest of the Bank's in that collateral (i.e. where a financial product that is *secured property* is also collateral). The Borrower and the Bank agree that the priority agreement in this clause is held on trust for the benefit of *ASX Clear*.

5.3 The Borrower acknowledges that:

- a. **(transaction document)** this agreement is a *transaction document*;
- b. **(instructions irrevocable)** all instructions given by it to the Bank or on its behalf (including the standing instructions given under clause 5.2 of this agreement) are irrevocable;
- c. **(underlying financial products)** *options* can only be written in respect of certain shares selected from time to time by *ASX Clear*.
- d. **(payment of premium)** any *premium* payable to him/her or it in connection with an *option* must be paid directly to the Bank;
- e. **(collateral to ASX Clear)** all collateral is held by *ASX Clear* by way of security for the performance by the *participant* of its obligations to *ASX Clear*;
- f. **(risk of loss)** entry into *derivatives* incurs the risk of loss as well as the prospect of profit. The risk of loss in trading in *derivatives* can be substantial. The Borrower has given consideration to relevant objectives including its investment objectives, financial situation and particular needs and the Borrower has formed the opinion that entering into *options* and this agreement is suitable for his/hers or its purposes;
- g. **(powers of ASX Clear)** if for any reason *ASX Clear* is not entitled to deal with *cover* in or towards satisfaction of the *participant's* obligations to *ASX Clear* in respect of the Borrower's *client account*, *ASX Clear* may retain and refuse to release any *cover* until those obligations of the *participant* to *ASX Clear* have been fully satisfied; and
- h. **(our right to refuse to deal)** the Bank may at any time refuse to deal in, or limit or impose conditions on the trading of *options* under this agreement. The Bank will notify the Borrower of any refusal, limitation or condition as soon as practicable.

This agreement does not oblige the Borrower or the Bank to deal with any *options*; and
- i. **(information)** the Bank may receive from a *participant* copies of any information given to the Borrower in relation to its *client account*.

Section 1 – Operative Part (continued)

6. Nominee to Enter Client Agreement

- 6.1 If the Bank requires any *option* to be written by or, *underlying financial products* to be held by, a *nominee*, the Borrower authorises the *nominee*, as agent and on its behalf to:
- a. enter into a *client agreement* with the *participant* nominated by the Borrower;
 - b. sign any *risk disclosure statement* that the *participant* requires the Borrower to sign in connection with the *client agreement*; and
 - c. give in favour of the *participant* any indemnity required by the *participant* in connection with the *client agreement*.
- 6.2 The *nominee* will have the *client account* established under the *client agreement* styled “[name of *nominee*], [client name] Account”.

7. What the Nominee May Do

- 7.1 As agent for the Borrower the *nominee* may:
- a. deposit or lodge with the *participant* such *acceptable collateral* as and when required under the *client agreement* to protect the *participant* against its obligations under the *Rules* to provide cover; or
 - b. give instructions to the *participant* in relation to any *option* the Borrower has written to its *client account*; or
- 7.2 The Borrower indemnifies the *nominee* against, and therefore must pay it on demand for, all losses and costs it suffers or incurs in relation to acting as *nominee*, for the Borrower except when such losses or costs are caused by the negligence, fraud or wilful misconduct of the *nominee*.

Section 2 – Executed as an Agreement

Individual/Joint/Individual Trust Accounts

Individual/Trustee 1

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Individual/Trustee 2 (if applicable)

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Witnessed by

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Witnessed by (if applicable)

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Company Accounts

This agreement must be signed by two directors, or a director and the secretary. Where one person is the sole director and secretary please write "sole office holder" beside the signature.

Director (in accordance with section 127(1)
of the Corporations Act 2001 (Cth)

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Director/Secretary (if applicable)

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Signed on Behalf of Commonwealth Bank of Australia

By its Attorney

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

In the presence of (Witness)

Full name

Signature (must be signed pen to paper)

Date (DD/MM/YYYY)

Section 2 – Executed as an Agreement (continued)

Schedule

Borrower Details

Borrower name/s

Loan number

Address

	State	Postcode

Commonwealth Bank Geared Investments Loan is issued by Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. This product is administered by Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 (CommSec), a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia. CommSec is a Market Participant of ASX Limited and Cboe Australia Pty Limited, a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited.

How to submit your documents

Please complete and return this form to us by email or post.

 gearedinvestments@cba.com.au
 13 15 20
 commbank.com.au/gearedinvestments

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Australia Square NSW 1215**