

TARGET MARKET DETERMINATION

Exchange Traded Options

Issuer	tastytrade Australia Pty Ltd ABN: 61 623 542 969 AFSL: 508867
Financial Product	Exchange Traded Options — available across multiple underlying assets on exchanges accessible through our platform
TMD Version	1.1
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1. INTRODUCTION

tastytrade Australia Pty Ltd (referred to as tastytrade Australia, us, our or we) holds an Australian Financial Services Licence (AFSL) issued by the Australian Securities and Investments Commission (ASIC). Under that licence, tastytrade Australia is authorised to provide financial services, including arranging for clients to trade Exchange Traded Options (ETOs). ETOs are standardised contracts traded on regulated exchanges — and are deemed to be issued by tastytrade Australia under section 761E(6) of the *Corporations Act 2001* (Cth) (Corporations Act).

Part 7.8A of the Corporations Act sets out the design and distribution obligations (DD Obligations). These obligations apply to the issue of ETOs to retail clients and require tastytrade Australia to take a consumer-focused approach to how those products are made available. A key component of those obligations is the preparation and maintenance of a Target Market Determination.

tastytrade Australia operates as a self-directed online trading platform and does not employ financial advisers or account managers. All investment and trading decisions are made by clients themselves. Client service staff are not authorised to provide investment, trading or tax advice. Clients who are uncertain whether these products are appropriate for their circumstances should seek independent financial advice before applying.

2. PURPOSE OF THIS TARGET MARKET DETERMINATION

This Target Market Determination (TMD) sets out the class of retail clients for whom ETOs are likely to be appropriate, together with the conditions that apply to how those products may be distributed. It also identifies the circumstances that would require tastytrade Australia to review whether this TMD remains fit for purpose.

This document is not a substitute for, and should not be read as, a summary of product features or risks. It does not take into account the specific objectives, financial circumstances or needs of any individual. Before trading ETOs through our platform, clients should read tastytrade Australia's Financial Services Guide (FSG) and any other applicable disclosure documents.

3. OVERVIEW OF EXCHANGE TRADED OPTIONS

An Exchange Traded Option (ETO) is a derivative contract that gives the buyer (the taker) the right, but not the obligation, to buy or sell an underlying asset at a specified price on or before a specified expiry date. The seller (the writer) of the option takes on the corresponding obligation to perform the contract if the buyer exercises their right. The price paid by the buyer for this right is the option premium.

ETOs are standardised contracts traded on regulated exchanges. Unlike the premium, the terms and specifications of an ETO contract are set by the exchange. ETOs have a finite lifespan and their value erodes as the expiry date approaches — a characteristic known as time decay. The value of an ETO fluctuates in response to a range of factors including the price and volatility of the underlying asset, time remaining to expiry, interest rates and dividends.

Depending on the strategy employed, ETOs are complex and potentially leveraged instruments. Option writers in particular can be exposed to losses that significantly exceed the premium received, and in the case of uncovered short call positions, losses can be theoretically unlimited. Trading costs include exchange fees, brokerage commissions and, where a contract is assigned, any costs associated with fulfilment of the obligation.

tastytrade Australia makes ETOs available across multiple trading levels, each with different permitted strategies and corresponding risk profiles. The trading levels are set out in the table below.

	Cash	Limited	Basic (Margin)	The Works
Buy Stock	✓	✓	✓	✓
Short Sell Stock	X	X	X	✓
Buy Options	✓	✓	✓	✓
Sell Covered Calls	✓	✓	✓	✓
Sell Cash Secured Puts	✓	✓	X	X
Defined-Risk Options Spreads	X	X	✓	✓
Sell Naked Puts	X	X	✓	✓
Sell Naked Calls	X	X	X	✓
Futures	X	X	X	✓
Cryptocurrencies	✓ #	X	✓ #	✓ #
Account type required	Cash	Margin	Margin	Margin
Minimum age	18	18	18	18
Wealth requirements	None	None	None	See Appendix A — The Works tier

Cryptocurrency trading is subject to separate terms and conditions. Availability is subject to confirmation for the Australian entity.

ETOs are available across a range of underlying assets on the exchanges accessible through our platform.

Key product characteristics include:

- ETOs are standardised contracts with a fixed expiry date and their value erodes as expiry approaches;
- Contract specifications and client obligations vary depending on the exchange and the specific contract;
- Under certain market conditions, it may become difficult or impossible to close out an open ETO position — clients should be aware of liquidity risk when managing positions; and
- tastytrade Australia may adjust applicable margin requirements at any time without prior notice, which may result in liquidations at any time, without notice in under-margined accounts.

4. THE TARGET MARKET

<p>Target Market</p>	<p>To fall within the target market, a retail client must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Must be 18 years of age or older; • Must have a risk profile consistent with one of the following: <ul style="list-style-type: none"> ◦ a sufficient tolerance for investment risk and an understanding of the risks associated with options trading, including the potential for significant losses; or ◦ a genuine intent to use ETOs to hedge an existing financial exposure, which may be consistent with a more conservative risk profile; ◦ a genuine intent to trade US Exchange Traded products • Must meet tastytrade Australia's minimum income and liquid net worth requirements applicable to their trading level (see Appendix A); • Must acknowledge and accept that losses can equal or, in some circumstances, exceed their total account balance; and • Must possess sufficient knowledge and relevant experience in strategies used to trade ETOs or in equivalent leveraged derivative products, including: <ul style="list-style-type: none"> ◦ the rights and obligations of option buyers and writers, and the difference between defined-risk and undefined-risk strategies; ◦ how leverage and margin work in the context of exchange-traded options; ◦ the risks of ETOs, including time decay, volatility risk and the potential for losses that can equal or exceed the account balance; ◦ how ETOs are priced, including the role of expiry dates, time decay, implied volatility and the Greeks; and ◦ the practical obligations of trading ETOs on exchange, including position monitoring, margin management and expiry obligations.
<p>Likely client objectives, financial situation and needs</p>	<p>Clients in the target market will generally fall into one of two categories:</p> <p>1. Clients seeking market exposure through options strategies</p> <p>Likely objectives:</p> <p>Clients in this category typically pursue one or more of the following:</p> <ul style="list-style-type: none"> • generating income through covered option writing strategies on existing share holdings; • gaining leveraged or defined-risk exposure to underlying assets — including equities, indices or commodities — where direct ownership is impractical, cost-inefficient, or where the client wishes to limit their downside risk; • speculative trading on the direction, volatility or timing of price movements in underlying assets; • using multi-leg options strategies to express a particular market view in a capital-efficient way; and • managing short-term portfolio risk, such as purchasing protective puts on existing equity holdings. <p>Having one or more of the above objectives is sufficient to fall within this category.</p> <p>Likely financial situation:</p> <p>Clients have sufficient capital to fund options positions and can absorb potential losses — up to and potentially exceeding the full value of their</p>

	<p>position — without this materially affecting their financial circumstances. They meet tastytrade Australia's minimum income and liquid net worth requirements for their trading level.</p> <p>Likely needs:</p> <p>Clients need a solid understanding of how options are priced and the risks associated with their chosen strategies, including time decay, volatility changes and the obligations arising from writing options. They must have the capacity to actively monitor open positions and manage margin obligations.</p> <p>2. Clients seeking to hedge an existing financial exposure</p> <p>Likely objectives:</p> <p>Clients in this category are looking to reduce or offset risk on an existing investment or exposure — for example, purchasing put options to protect an existing share portfolio against downside risk, or using options strategies to lock in gains on existing positions.</p> <p>Likely financial situation:</p> <p>Clients have existing investments or financial exposures they wish to protect, together with sufficient liquid net worth to fund the cost of the options strategies used for hedging.</p> <p>Likely needs:</p> <p>Clients need to understand how options strategies function as hedges, including the limitations of hedging with ETOs, the cost of purchasing protection through options premiums, and their obligations around expiry management.</p>
<p>Risk tolerance</p>	<p>Clients should have a high to very high tolerance for risk, and be able to bear losses.</p> <p>ETOs are complex financial products. Depending on the strategy employed, they can be leveraged instruments carrying significant risk of loss. For option writers in particular, losses can substantially exceed the premium received and, in the case of uncovered short call positions, can be theoretically unlimited.</p> <p>The level of risk varies across trading levels. Refer to the table on page 2 for more information.</p> <p>It should be noted that as account levels increase clients may be exposed to higher levels of risk and losses, depending on the strategies used. In all cases, under certain market conditions such as low liquidity or market disruption, it may become difficult or impossible to close out an open position, which can result in significant losses.</p> <p>These products are only appropriate for clients with a sufficient tolerance for investment risk commensurate with their trading level. Clients using ETOs solely for genuine hedging purposes may have a more moderate risk profile provided they otherwise meet the target market criteria.</p> <p>Clients without an acceptable risk tolerance level fall outside the target market.</p>
<p>Knowledge and experience</p>	<p>Before ETO trading permissions are activated at any level, tastytrade Australia requires each prospective client to answer questions on their requisite trading knowledge. All clients must successfully complete these questions before trading permissions are activated.</p>

	<p>tastytrade Australia does not employ advisers or account managers. All trading is self-directed by the client. Client service staff are not authorised to provide investment, trading or tax advice.</p>
<p>Financial capacity and awareness of loss risk</p>	<p>Prospective clients must satisfy tastytrade Australia's minimum income and liquid net worth requirements applicable to their trading level at onboarding, as set out in Appendix A. These requirements are reviewed annually.</p> <p>Through the disclosures provided during onboarding, clients are made aware of the significant potential losses associated with ETO trading, including the potential to sustain a total loss of margin funds and any additional funds deposited to maintain their position. By agreeing to these disclosures, clients confirm they are financially prepared to bear losses of this magnitude before trading permissions are granted.</p>
<p>Capacity to monitor and manage positions</p>	<p>ETOs have a finite lifespan and their value erodes as expiry approaches. Clients must have the practical capacity to monitor open positions regularly, manage margin obligations promptly, and take action on positions approaching expiry.</p> <p>tastytrade Australia will conduct liquidations in under-margined accounts; however, this does not guarantee that losses will be contained to the account balance. Clients who cannot actively manage their positions on an ongoing basis, or who lack the financial capacity to meet margin calls, fall outside the target market.</p> <p>Under certain market conditions — including periods of low liquidity or significant market disruption — it may become difficult or impossible to close out an open ETO position. Clients should be aware of this risk and account for it in their position management approach.</p>
<p>Clients outside the target market</p>	<p>ETOs are not appropriate for clients who:</p> <ul style="list-style-type: none"> • are under 18 years of age; • do not meet the minimum income or liquid net worth requirements for their trading level; • do not have the knowledge or experience required by tastytrade Australia's assessment process for the relevant trading level; • have a conservative risk profile, unless trading solely using defined-risk strategies for genuine hedging purposes; • are unwilling or financially unable to absorb losses that may significantly exceed the premium paid or received; • do not have the capacity to actively monitor open positions, manage expiry obligations and meet margin requirements as they arise; or • have an investment timeframe inconsistent with the short-dated nature of exchange-traded options contracts. <p>The following clients also fall outside the target market regardless of whether the above criteria are otherwise met:</p> <ul style="list-style-type: none"> • clients subject to elder abuse or financial abuse; • clients with a mental illness or serious health condition that materially affects their financial decision-making capacity, including age-related cognitive impairment; • clients experiencing addiction that affects their financial or mental capacity; • clients who are unemployed, have no independent income, are in financial hardship, or have little to no savings; or

- clients who exhibit indicators of vulnerability that may affect their ability to make informed financial decisions
(*vulnerability* includes clients experiencing significant life events such as bereavement, relationship breakdown or job loss; clients under financial or emotional pressure; clients acting under the direction or influence of another person; or clients whose communications suggest a limited understanding of the products notwithstanding completion of the assessment; if indicators of vulnerability are identified at onboarding or at any point during the client relationship, the Compliance Officer will assess whether it remains appropriate for the client to hold trading permissions and may suspend or restrict access pending that review).

5. DISTRIBUTION CONDITIONS

tastytrade Australia operates as a self-directed online trading platform. It does not employ financial advisers or account managers who direct client trading. All investment decisions are made by clients themselves, using a computer or mobile device to place orders that are transmitted to the relevant exchange for execution. Client service staff are not authorised to provide investment, trading or tax advice.

tastytrade Australia is committed to ensuring that ETOs are issued only to clients who fall within the identified target market for the relevant trading level. The controls described below are in place to support that outcome.

Onboarding

Before ETO trading permissions are activated at any level, each applicant must:

- Open an account with tastytrade Australia — a margin account is required for all levels above Limited;
- Meet tastytrade Australia's minimum income and liquid net worth requirements applicable to the trading level being applied for, as set out in Appendix A; and
- Answer questions on their requisite trading knowledge

Where an applicant does not satisfy the requirements for their nominated trading level, permissions for that level will not be activated. These requirements are governed by tastytrade Australia's Client Qualification Policy.

Staff Training

All client-facing staff receive training on tastytrade Australia's DD Obligations and distribution conditions, including how to identify and respond to situations where a client may not be within the target market for a particular trading level.

Marketing and Promotions

tastytrade Australia's marketing activities are governed by its Financial Promotions Policy. All promotional materials must be reviewed and approved by the Compliance team before publication to confirm they do not use messaging or channels that are likely to attract clients outside the target market.

6. PERIODIC REVIEWS OF THE TMD

tastytrade Australia will assess the continued appropriateness of this TMD at least annually. Reviews are conducted by the Compliance Manager and presented to the Board. An earlier review will be conducted if a review trigger arises, or if the committee chair forms the view that client detriment warrants a more urgent reassessment.

Review Triggers

In addition to scheduled reviews, tastytrade Australia will review this TMD where it becomes aware of circumstances suggesting the target market or distribution conditions may no longer be appropriate. Triggers include:

- significant client losses from trading ETOs;
- a pattern of complaints indicating that the risks of ETOs — including the risks of writing options — are not well understood by clients who have been onboarded;
- significant compensation payments made in connection with ETOs;
- feedback from clients or distributors raising concerns about product suitability or target market alignment;

- evidence that ETOs are being distributed to clients outside the target market, or at trading levels inconsistent with a client's risk profile or financial circumstances;
- material changes to the product, platform or available contracts that alter the risk or suitability profile; and
- changes to applicable law or regulation, including the introduction of a Product Intervention Order affecting the distribution of ETOs.

7. AMENDMENTS TO THIS TMD AND CONTACT DETAILS

tastytrade Australia may update this TMD at any time in response to regulatory or legal changes, updated guidance from ASIC, material changes to the product or platform, or any other circumstances that make an amendment appropriate. The current version of this TMD is available on our website.

For enquiries about this TMD, please contact: compliance@tastytrade.com

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APPENDIX A — WEALTH ELIGIBILITY REQUIREMENTS

The following financial thresholds apply to all clients seeking to open a trading account with tastytrade Australia. Clients must meet either the income or liquid net worth thresholds for the Works tier.

	Cash	Limited*	Basic*	The Works
Products accessible	Basic stocks & ETFs	Defined-risk options only	Broader options strategies	Futures and Futures Options
Account type	Cash	Margin	Margin	Margin
INCOME AND LIQUID NET WORTH - clients must meet either threshold				
Minimum annual income	Any	Any	Any	USD \$50,000+
Minimum liquid net worth	Any	Any	Any	USD \$50,000+

Notes

- Both thresholds:** Clients must meet either the income or net worth requirements for the Works tier.
- The Works:** Access to Futures and Futures Options requires a margin account with The Works trading permissions activated. Please see Futures and Futures Options Target Market Determination.
- Cash tier:** The Cash tier does not require income or net worth thresholds, but does not provide access to margin, Futures, or Futures Options.
- * Difference between Limited and Basic accounts:** Both tiers provide access to options trading on a margin account. A Limited account is restricted to single-leg defined-risk strategies, covered calls, buy writes, long calls and puts, and cash-secured puts. A Basic account includes all Limited strategies plus multi-leg defined-risk strategies such as vertical spreads, straddles and iron condors. Neither tier provides access to naked short positions, futures or futures options - those require The Works.