

# SPECIFIC TERMS – OPTION TRADING



## **Specific Terms – Option Trading**

The Specific Terms Option Trading (ST Option Trading) complement the General Terms (GT) between KBC Bank (hereafter “KBC”) and the Client having selected option trading as part of the service offering of KBC.

### **1. Definitions**

Capitalized words or wording in this ST Option Trading, including the Annexes, and in every Contract or document relating to it shall have the meaning as set forth in Annex 1 of the Agreement.

### **2. Additional representations and warranties of the Client**

In addition to the representations and warranties in the GT, the Client hereby represents and warrants that:

- i) It has obtained and will preserve all necessary authorizations and approvals of any governmental or regulatory body required to make use of the services and to enter into Contracts under this ST Option Trading and to perform its obligations under this ST Option Trading and such Contracts;
- ii) It will not infringe or any law, regulation, market practice, rule of professional conduct, charter, bylaw, charge or undertaking affecting the Client or any of its assets, nor infringe any court order or judgment of a court or any other official agency, or any other rule applicable to it, and it undertakes to comply with all legal and regulatory obligations, including but not limited to the rules regarding money laundering.
- iii) It and the members of its staff involved in the futures and options trading have sufficient knowledge and experience to be able to evaluate the risks and merits of entering into this ST Option Trading and each Contract as well as the Cover and Margin requirements, and it acknowledges that KBC may at all times rely upon such fact;
- iv) It has and will rely on its own judgement in entering into this ST Option Trading and each Contract;
- v) It will act in its own name and for its own account or it will only enter into Contracts as an intermediary on behalf of a customer, upon being duly mandated by such customer to do so;
- vi) Its obligations under this ST Option Trading and each Contract constitute legal, valid and binding obligations, duly enforceable in accordance with their terms (subject to applicable bankruptcy, insolvency, moratorium or similar proceedings affecting creditor’s rights generally).

Each representation and warranties, shall be deemed to be repeated on each order for Contract.

### **3. Applicable rules**

This Agreement, including this ST Option Trading and each Contract organize the contractual relationship between the Client and KBC, whereby KBC, subject to the conditions of this Agreement and of each Contract, shall use its best endeavours ('middelenverbintenis/obligation de moyens"), to

execute the orders it receives from the Client for Contracts, to exercise such Contracts and to take all necessary steps for the clearing of such Contracts. The Client accepts that the rights and obligations in relation to any Contract are governed by the Exchange Regulations of the place where such Contract is concluded. The Client shall, before placing any order obtain or request from KBC and accept the Exchange Regulations. KBC shall be bound and shall act in accordance with the Exchange Regulations of the place where the Contract is concluded.

In respect of Contracts on any Exchange, KBC will conclude Contracts only with the Client as a Professional Client or Eligible Counterparty, and as such no requirement to provide best execution might apply to transactions executed on those Exchanges for the Client and the Client hereby waives any such requirement to the maximum extent allowed by law.

The Client may but is not obliged to enter into Contracts after entering into this Agreement and selecting the services provided subject to the terms of this ST Option Trading. KBC has the right to refuse, in its sole discretion, the execution of an order for a Contract or the exercise of a Contract if it reasonably believes that such execution or exercise would provoke or is likely to provoke an Event of Default or if the order exceeds the Limits.

KBC may in its sole discretion use the services of any third party in connection with the execution of orders for Contracts or the exercise or clearing of such Contracts.

#### **4. Accounts, payments and delivery obligations**

4.1 All Contracts shall relate to an Account, which KBC opens or holds in its books for the Client.

KBC may convert any balances on the Client's Cash Account(s) at current market rates into such currencies as KBC may consider appropriate for the purpose of executing obligations pursuant to this ST Option Trading or a Contract.

4.2 KBC shall provide the Client with a statement of Account detailing the Transactions in funds and Financial Instruments relating to the Contracts as often as required by applicable laws and regulations or more frequently as agreed between the Parties.

#### **5. Placement of orders for Contracts**

5.1 Orders shall be placed by the delivery of an Order Notice. An order is regarded as being placed when the Order Notice has actually been received by KBC.

5.2 For each order, the Client is obliged to provide the following information:

- Client's identification;
- Date and hour of the order (local time);
- Relevant Account;
- Volume;
- Contractual specifications (option contract, futures contract, type or direction, to the extent such orders are supported on the relevant Exchange, combined orders, exercise price or price, expiry date or month, premium, cash settlement, automatic exercise);
- Conditions under which the order is to be executed
- Period of time for which the order is valid.

Should any of this information not be supplied, KBC shall have no obligation to fill the order placed, without prejudice to its right to do so to the best ability, without incurring any liability as a result thereof.

- 5.3 An order shall be placed on a Business Day. If such day is not an Exchange Business Day, the order shall, in the absence of any other agreement, be carried out the following Exchange Business Day.

It is the responsibility of the Client to specify the period of time during which an order shall remain valid. Certain rules and restrictions may apply in certain Markets and it is the responsibility of the Client to enquire and/or request information from KBC. In certain cases, the System(s) may propose default period(s) which the Client may either accept or refuse by specifying a period of validity.

The orders where the time validity has not been specified by the Client or where the time validity is contrary to rules of the Market shall be treated as an unclear order and consequently KBC shall be entitled to refuse such orders, delay the execution or transmission of such orders pending clarification from the Client or endeavour to execute it in the interest of the Client.

- 5.4 The authority of the Client to give orders is subject to Limits which KBC may determine from time to time and in its sole discretion. Internal Limits applicable to orders of the Client may be determined by KBC, including for risk management purposes or to ensure compliance with laws and regulations or Exchange rules. External Limits are disclosed to the Client in Annex 2 or notified by any means. The Client undertakes to respect the external Limits that have been disclosed.

KBC may at any time change the Limits effective immediately upon notification (which may be made orally) to the Client and such notification shall constitute an amendment to Annex 2.

Without prejudice to other cases of rejection of orders, KBC is entitled to refuse or delay orders exceeding the Limits and shall promptly inform the Client of such rejection or delay. KBC is however not under an obligation to verify the order against Limits, or to refuse or delay the order, and the execution of the order does not affect the obligations of the Client in respect of the order and KBC cannot be held liable by the Client for the execution of such order.

- 5.5. At any time prior to the execution of its order, the Client may instruct KBC to withdraw the order (in full or in part) or amend it.

KBC shall exert its best endeavours to execute such instruction to withdraw or amend the order, without however being liable in the event of the original order already having been executed on the Exchange.

The Client acknowledges that certain corporate events in the underlying Financial Instrument may, in accordance with the applicable regulation(s) of the Exchange, the relevant Clearing House or settlement organisation, or the conditions of the issue, have an impact on the conditions and valuation of outstanding orders, which may amongst others result in the amendment or cancellation of an order, and the Client will, whenever it feels the need to replace the order affected, take the appropriate action in this respect.

- 5.6 KBC accepts no liability for the incorrect or faulty execution of orders with special instructions which are not standard on the relevant Exchange.

## **6. Purchase and sale slips**

KBC shall provide the Client with a statement regarding the purchase or a sale of every executed order according to the nature of the Transactions with the data required by laws and regulations, including:

- Client's identification;
- Intermediary's identification;
- Relevant Accounts;
- Contractual specifications (unit price, buy/sell or nature if other);
- Volume/quantity;
- Conditions under which the order is executed (day and time of execution);
- Rate of exchange (if applicable);
- Total consideration with commissions and expenses charged;
- Responsibilities of Client and details in respect of clearing and reporting.

In the event the Client disagrees with the terms of the Transaction as set out in the statement it shall notify in writing to KBC that it contests such terms within 24 hours from reception of the statement, failing which the terms shall be deemed accepted. The reasons for the contestation must be indicated in the notification.

## **7. Procedure on Exercise and Completion of a Contract and on Assignment of the Client**

7.1 If a Contract is exercised or completed on an Exchange for the Client, KBC shall subject to the conditions of this Agreement take all necessary steps towards the Exchange authority and/or the relevant Clearing House in connection with the clearing of such Contracts.

7.2 Unless the Client otherwise requires, option Contracts which are on expiration date 'in the money', as determined by the applicable Exchange Regulations or rules of the relevant Clearing House, shall be exercised automatically without the need for an Exercise Notice. The Client may require KBC that no automatic exercise shall apply in respect of certain option Contracts by sending a written notice to KBC specifying the relevant option Contracts shall not be subject to automatic exercise. KBC has to receive such notice at the latest at 3 p.m., Brussels Time, on the last day the relevant option Contracts are traded on the relevant Exchange. If such date is not a Business day, the Client shall inform KBC in the same manner, at the latest at 3 p.m., Brussels time, on the immediately preceding Business Day.

If the Client wishes (i) to exercise an American style option Contract prior to the last Business Day on which such option Contract is traded on the relevant Exchange, the Client has to inform KBC by means of an Exercise Notice which KBC has to receive on a Business Day, at the latest at 3 p.m., Brussels time, to be effective.

KBC is entitled to execute each Exercise Notice of which it may reasonably assume that it has been given by the Client without being obliged first to verify the identity or authority of the person giving the Exercise Notice.

The Exercise Notice has to contain the following information:

- Client's identification;
- Relevant Account;
- Volume (number of option Contracts to be exercised);
- Contract specifications (type, class, exercise price, expiry date).

Should any of this information not be supplied or not timely be supplied, KBC shall have no obligation to exercise the option Contract, without prejudice to its right to do so to the best ability, without incurring any liability as a result.

7.3 If an option Contract is exercised by the Client, KBC will, without prejudice to the other provisions of this Agreement, receive and deliver or pay and receive, as the case may be, the exercise price and the Financial Instruments to or from the Client's Account:

- i) Exercised call option Contracts/put option Contracts on Financial Instruments give rise to purchase/sales Transactions of the underlying Financial Instruments, which will be settled by KBC in accordance with Exchange Regulations.
- ii) In the event of exercised option Contracts whereby net cash settlement is required, KBC will pay or debit the net settlement amount to or from the relevant Cash Account.

7.4 If an option Contract is exercised whereby the Client is assigned as a seller or a buyer, KBC will subject to the conditions of the Agreement take all necessary steps towards the relevant Clearing House in connection with the clearing thereof.

Consequently, KBC shall in accordance with the Exchange Regulations:

- i) in the event of a call option Contract: deliver the underlying Financial Instrument to the relevant Clearing House and credit the exercise price to the Cash Account of the Client. If the underlying Financial Instruments were delivered to KBC by way of Cover or Margin, KBC is entitled to use such underlying Financial Instruments to meet its obligations towards the relevant Clearing House or towards any third party designated by applicable Exchange Regulations.

If the Financial Instruments are not available, KBC is entitled to buy the underlying Financial Instruments for the account of the Client and deliver them to the relevant Clearing House or to any third party designated by applicable Exchange Regulations.

- ii) in the event of a put option Contract: pay the exercise price to the relevant Clearing House or towards any third party designated by applicable Exchange Regulations by debiting the Cash Account of the Client and credit the underlying Financial Instruments to the Custody Account of the Client. If the exercise price was delivered to KBC by way of Cover or Margin, KBC is entitled to use it to meet its obligations towards the relevant Clearing House or towards any third party designated by applicable Exchange regulations.

- iii) in the event of an option Contract whereby net cash settlement is required debit the net settlement amount from the relevant Account of the Client.

- 7.5 The completion of futures Contracts subject to delivery of the underlying Financial Instruments, which have not been closed, shall be settled via the delivery of the underlying Financial Instruments in accordance with the Exchange Regulations. The list of deliverable underlying Financial Instruments shall be drawn up by the Clearing House or the Exchange.

In the event that positions are not closed out, the Client/seller shall be obliged to specify by 2 p.m. at the latest, on the last trading day, the underlying Financial Instruments which it wishes to deliver, failing which KBC shall select in its sole discretion the underlying Financial Instruments to be delivered. If the underlying Financial Instruments were delivered to KBC as Cover or Margin, KBC is entitled to use such underlying Financial Instruments to meet its obligations towards the Clearing House. If no such Cover or Margin is available, KBC shall buy the relevant underlying Financial Instruments for account of the Client and deliver them to the Clearing House.

In the event of a completion of a long future Contract which has not been closed, the Client/buyer shall receive such underlying Financial Instruments as determined by the Exchange and pay the exercise price to the Clearing House by debiting the Cash Account of the Client. If the exercise price was delivered to KBC as Cover or Margin, KBC is entitled to use it to meet its obligations towards the Clearing House.

- 7.6 The time limits mentioned in this article may from time to time be modified by KBC upon simple notification to the Client. Such notification may even be done orally.

## **8. Requirements regarding Cover, Margin and Collateral**

- 8.1 Only cash or Financial Instruments accepted and determined by KBC as notified to Client by any means, may be used to form the Cover or Margin.

### 8.2 Cover

Prior to each buy order of an option, the Client will remit to KBC the estimated premium amounts and prior to each order to exercise an option the Client will remit to KBC sufficient funds or sufficient underlying Financial Instruments required for such execution. If the Client fails to deliver such Cover, KBC may refuse to execute the order. The Client undertakes to draw the Cover from his own funds and not from any credit with KBC (unless specifically agreed otherwise under the terms of this credit).

### 8.3 Margin

No order to write an option will be executed by KBC unless it has received the required level of covering Margin from the Client to secure any and all of its obligations arising from the writing of that option. The Client undertakes to draw the Margin from its own funds and not from any credit with KBC (unless specifically agreed otherwise under the terms of this credit).

- 8.4 The level of Margin is determined by KBC and indicated in Annex 2. It can be changed by KBC at any time and notified to the Client by all means.

- 8.5 If due to changes in market prices a given Margin is at any time below the required level, the Client will be obliged at the first request of KBC (whereby such request may even be given orally) either (i) to provide additional Margin that meets with the requirements set forth in

this article as the case may be, or (ii) to close option positions in order for the Margin to reach the required level. If the Client fails to take either of these actions within 24 hours of KBC's request thereto, KBC will be entitled to take the action set forth under (ii) on behalf of the client or to sell Financial Instruments of the Client held under this Agreement for the amount needed to comply with the Margin requirements. In taking such actions, KBC will act in good faith and with due care to ensure the proper functioning of the Markets and will inform the Client thereof through the usual channels. The Client undertakes to settle without delay any debit balance that may result from KBC taking such actions.

- 8.6 For the avoidance of doubt, any Collateral that has been agreed in the Adherence Form will also secure any and all obligations and liabilities of the Client towards KBC under or in connection with this ST Option Trading.

## **9. Evidence**

Without prejudice to the generality of the GT, the Exercise Notice or the Order Notice shall constitute full evidence of the Transaction described therein and every executed order or exercised or completed Contract shall constitute prima facie written evidence.

Statements of Accounts which are not protested within 1 Business Days after remittance are deemed to be accepted by the Client.

## **10. Law and jurisdiction**

Notwithstanding the provisions of the GT, any dispute arising from or relating to this ST Option Trading, in so far as such dispute relates to Contracts made between parties which are subject to the rules of an Exchange shall be construed in accordance with the law applicable to and the exclusive jurisdiction of such Exchange (other than to obtain an order or a judgement to realise any Margin or Cover).

## **11. Notices**

Notices pursuant to this ST Option Trading may be sent by fax or registered mail or - if the Parties so agree - may be given orally.

Notices given orally are deemed to have been received immediately if they are given or sent before closing of business in Brussels.