



Warrants

A simple guide



ASX
AUSTRALIAN STOCK EXCHANGE

ASX Derivatives

A division of Australian Stock Exchange Limited
(ABN 48 001 314 503)

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TERMINOLOGY CHANGES

ASX has changed its business framework for trading, clearing and settlement. As a result there have been changes to the terminology used in this document.

OLD TERM	NEW TERM
Options Clearing House Pty Ltd	Australian Clearing House Pty Ltd
OCH	ACH
ASXF Pty Ltd	ASX
ASX Futures Exchange	
ASXF Exchange	
ASX Business Rules	
SCH Business Rules	ASX Market Rules
OCH Business Rules	ASTC Settlement Rules
OCH Derivatives Clearing Rules	ACH Clearing Rules
OCH Clearing Rules	
ASXF Exchange Business Rules	
ASXF Business Rules	ASX Market Rules
Broker	ASX Market Participant or Market Participant (may also be a ACH Clearing Participant and/or ASTC Settlement Participant)
ASX PO	Market Participant / Trading Participant (may also be a ACH Clearing Participant and/or ASTC Settlement Participant)
Participating Organisation	
RIOT	ASX Market Participant or Market Participant (Trading Participant only for selected products) and Market Maker
Non-Broker Participant (NBP)	General Settlement Participant
Limited Purpose NBP	Specialist Settlement Participant
NSSP	Account Participant
Non sponsoring settlement participant	
Security	Financial Product (except for overseas products)
Securities	
Shares	
Derivative	Financial Product
DTF or Derivatives Trading Facility	DTP or Derivatives Trading Platform
Clearing Participant Only (currently derivatives only)	Direct Clearing Participant
Third Party Clearer	General Clearing Participant
Non-CHESS Approved Security	Non-CS Approved Product
Foreign Portal Dealer	Overseas Portal Dealer
Participating ASX Security	Participating ASX Traded Product
Participating Foreign Security	Participating International Financial Product
Participating Foreign Exchange	Participating Overseas Exchange

For further details of the Financial Services Reform terminology changes, please visit www.asx.com.au/fsr.htm.

Before you begin

What are warrants?

Warrants are a financial product issued by banks and other approved institutions. They can be traded on the Australian Stock Exchange (ASX), just like buying and selling shares. Very broadly, they are split into products with trading and investment purposes.

Warrants are a form of derivative – that is, they derive their value from something else, such as shares, indices or commodities. For example, some warrants give holders the right to buy or sell shares for a specified price by a particular date in the future. Others entitle holders to receive a cash payment relating to the value of an index or currency at a particular time.

Warrants may be issued over shares or a basket of different shares, a share price index, currencies, or commodities.

About this brochure

This brochure contains a concise outline of some common features and a general description of the most common types of warrants. Please note that it is not an exhaustive look at all warrant types and features.

The main objective is to provide you with some general information about warrants. Before buying warrants, you should consider your financial objectives and

understand the terms of issue and risks associated with the particular warrant series. You should read the Disclosure Document* prepared by the issuer of the warrants and seek specific advice from your ASX Accredited Derivatives Adviser.

You will receive a copy of a more substantial ASX publication – "Understanding Trading and Investment Warrants" before you can trade warrants.

Warrants cover a wide spectrum of risk profiles, investment objectives and likely returns. Some warrants, such as trading warrants, have much higher risk/return profiles, while others offer much lower risk features such as capital guarantees.

Be Educated

To aid investors, ASX offers introductory warrants courses all year round. To find out more about these courses, call 1800 028 585 or visit www.asx.com.au/warrants or email warrants@asx.com.au.

Other sources of warrant information on our website include:

- a range of free booklets
- free online courses
- trading information
- ASX code lists for warrants
- links to issuers' websites
- Disclosure Documents
- General information on Warrants

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* A Disclosure Document means an Offering Circular, Product Disclosure Statement or other equivalent document.

The ASX warrant market

Warrants are traded in many financial centres of the world. ASX has operated a warrant market since 1991 and currently rates as the 6th largest warrant market in the world*.

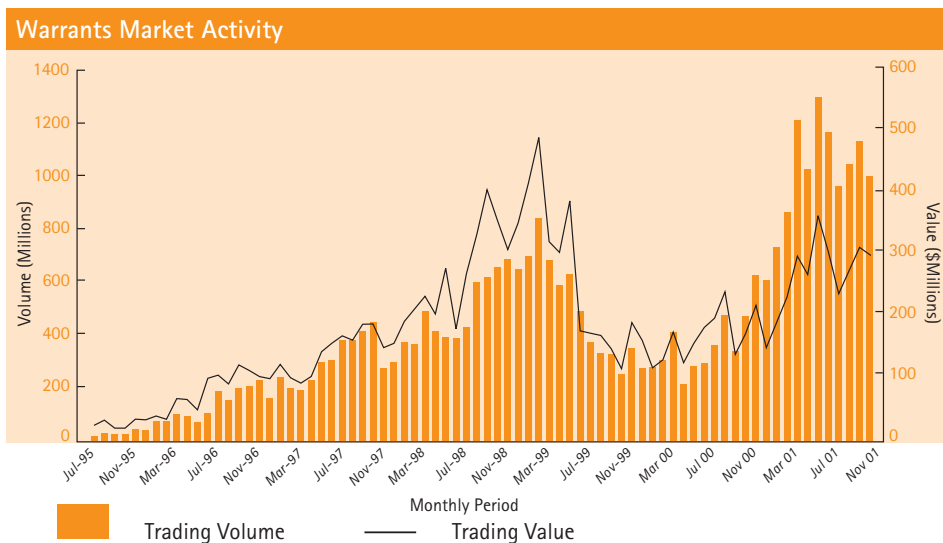
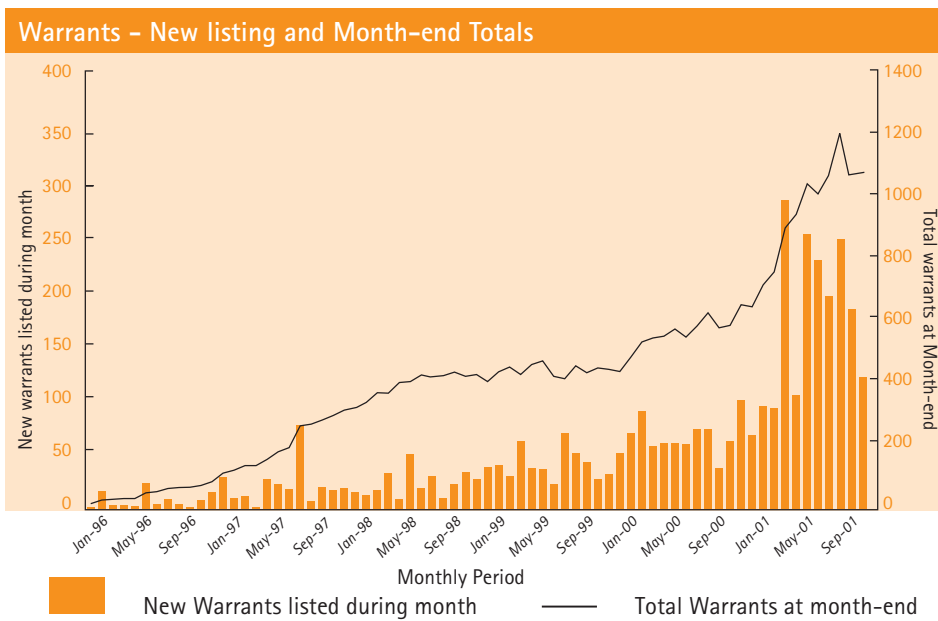
In Australia, trading and investing in warrants has become increasingly popular in recent years. The first chart shows the increase in the number of new warrants listed on the ASX. The second

chart shows trading volume and value in recent years.

The market began by trading equity call warrants only. Others types have been introduced over time. There are now over 20 different warrants available for trading or investment including the most popular equity warrants, instalment warrants, and index warrants. These are discussed later in this brochure.

*International Warrant Institute, 'The world warrant market', October 2001.

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Warrant features

Warrants do not have standardised terms, so there are many different types of warrant products to suit individual investors needs. The warrant issuer, in accordance with the ASX Business Rules and the law, specifies the terms and conditions of the warrant series. Because each warrant series can have different terms, investors should thoroughly read any material relating to them.

Call or put warrants

Warrants can be either call warrants or put warrants. Call warrants benefit from an upward price movement in the underlying instrument (e.g., share or index) whereas put warrants benefit from a downward trend.

A call warrant gives you the right to buy the underlying instrument (e.g., a share) from the warrant issuer at a particular price on, or before (American style only), a particular date. A put warrant gives you the right to sell the underlying instrument to the warrant issuer at a particular price on, or before, a particular date.

Expiry date

The expiry date is the last date on which the warrant can be exercised. Trading in a warrant ceases at the close of trade on the expiry date.

Underlying instrument

The underlying instrument may be a share in a company, a share price index, a commodity or a currency. Some warrants are over a 'basket' or 'portfolio' of shares.

Exercise style

Warrants are usually American style or European style exercise. American style means you can exercise the warrant at any time on or before the expiry date. European style means you can only exercise the warrant on the expiry date of the warrant.

Exercise price (or strike price)

This is the amount of money which must be paid by you (in the case of a call warrant) or by the warrant issuer to you (in the case of a put warrant) for the transfer of the underlying instrument(s). Warrant issuers often provide a range of exercise prices over each underlying security, providing investors with warrants that reflect their particular view (bullish or bearish) of the market.

Conversion ratio

The conversion ratio is the number of warrants that must be exercised to buy or sell 1 share, or whatever the underlying parcel is.

Example

A 4:1 call warrant over BHP shares requires you to hold and exercise 4 warrants to buy 1 BHP share.

The conversion ratio will affect the price of the warrants. A higher conversion ratio means a lower warrant price compared to a similar warrant with a lower conversion ratio. It is very important to know the conversion ratio of a warrant series before investing.

Index multiplier

This is only relevant to index warrants. It is the figure used to determine the amount payable to you on exercise or expiry. Refer to the index warrant example on page 6.

Warrant pricing

It is important to have some understanding of how the market prices of warrants are determined. A complete explanation is far beyond the scope of this brochure.

Most warrant pricing involves the use of complex mathematical techniques to build pricing models.

The table below shows how the variable factors affect warrant prices. Go to www.asx.com.au/warrants to download the ASX booklet "Understanding Trading and Investment Warrants" for a more detailed discussion on warrant pricing.

To varying degrees depending on the type of warrant, warrant prices are influenced by:

- the price or level of the underlying instrument
- the exercise price of the warrant
- the expiry date or the time left to expiry
- the volatility of the underlying instrument
- interest rates
- dividends

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Factors in Pricing	Change in Variable	Change in Call Warrant price	Change in Put Warrant price
Exercise Price	Increase	↓	↑
Underlying Share Price	Increase	↑	↓
Time to Expiry	Decrease	↓	↓
Volatility	Increase	↑	↑
Interest Rates	Increase	↑	↓
Dividend Expectations	Increase	↓	↑

Types of warrants

There are two broad categories of warrants; trading warrants and investment warrants. Trading products are generally traded frequently and are relatively short dated. They have a higher risk/return profile to the investment style products. Examples of trading warrants include index warrants, currency warrants, equity warrants and some instalments.

Investment style warrants have other features to attract investors. These warrants tend to be longer dated and are less frequently traded. They have a lower risk/return profile and often have a higher initial outlay compared to trading warrants. Examples of investment warrants include instalments, endowment warrants, capital guaranteed warrants and PIE warrants.

Trading warrants are essentially used by retail investors to trade the underlying share price movement over the short term, while investment warrants are used for capital growth and income streams (enhanced dividend yield) over the medium to long term.

Examples of trading warrants:

Equity warrants

Equity call and put warrants are issued over shares (in some cases, shares quoted on an Exchange other than ASX). Equity warrants are usually short-dated with expiry dates ranging from 3-12 months. Equity warrants can be American or European exercise style and, if exercised, are settled by delivery of the underlying share. Equity warrants are generally highly traded, particularly when they are short dated.

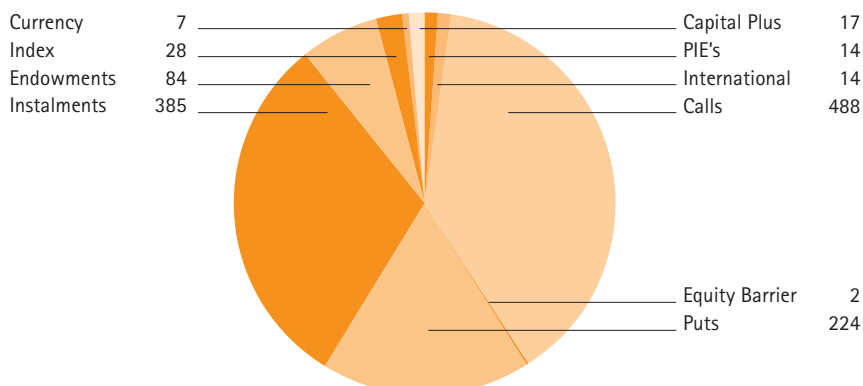
Example

Warrant code	QANWPG
Underlying Instrument	Qantas Airways Ltd Ordinary shares
Warrant type	Equity call warrant
Expiry date	27 March 2002
Exercise price	\$4.00
Exercise style	American
Conversion ratio	2 warrant: 1 share
Settlement	Physical delivery of the share

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Types of warrants on ASX



As at 29 August, 2001

This is a call warrant over the ordinary shares in Qantas Airways Limited (QAN). It is an American style warrant with an expiry date of 27 March 2002 and an exercise price of \$4.00. The investor will pay a premium to purchase the QANWPG warrant; this warrant gives the investor the right to buy one QAN share for \$4.00 on or before 27 March 2002. An investor might buy this warrant if they had a bullish view on QAN (i.e. they think QAN is going to rise in value by 27 March 2002).

Index warrants

Index warrants are linked to the performance of a share price index such as the S&P™/ASX 200 Share Price Index or another international index. The exercise level (rather than exercise price) is expressed in index points. These warrants are cash settled on exercise or expiry. Generally speaking, index warrants are short dated.

Example – Call index warrant

Warrant code	XJOWGD
Underlying instrument	Share Price Index
Warrant type	Index call warrant
Expiry date	31 December 2001
Exercise level	3,900 points
Index multiplier	\$0.005 (1 index point = half a cent)
Exercise style	European
Settlement	Cash Payment

If the closing level of the Share Price Index is at 4,100 points on the expiry date then you will be entitled to receive a cash payment equal to \$1.00 per warrant. This is calculated as the (closing level of the index – exercise level) x index multiplier i.e. $(4,100 - 3,900) \times \$0.005 = \1.00 per warrant.

Examples of investment warrants: Instalment warrants

Instalments give holders the right to buy the underlying shares by payment of two instalments during the life of the product. Instalment warrants are usually covered warrants with the underlying share being held in a trust/custody for the benefit of the holder. Instalments are generally a pay-half-now, pay-half-later arrangement that could be seen as buying shares on 'lay-by'. A feature of an instalment warrant is that you are entitled to full dividends or distributions and franking credits paid by the underlying company during the life of the warrant. For example, in 2000 Qantas issued an 11 cent dividend. The holder of an instalment (for example – QANIMB) received the same dividend payout as the fully paid shareholder.

Instalment warrants are either European or American exercise style and they usually have a life of between 12 months and 10 years. If the final instalment is paid, the holder will receive the underlying share. At the time of issue, the gearing level of instalments is usually about 50%, i.e. you pay 50% up front and the issuer lends you the remaining 50% (plus interest). Some instalments (commonly known as 'HOTS' in the market) have higher gearing levels when issued.

Other important features are that instalments are eligible for 'Do It Yourself' (DIY) Super Funds and as collateral for writing 'Covered Call' options on the ASX options markets.

Example

Warrant code	AMPIXB
Underlying instrument	Ordinary shares of AMP Limited
Warrant type	Instalment warrant
Expiry date	29 May 2003
Exercise price	\$12.16
Exercise style	European
Settlement	Physical delivery

If AMP's share price was around \$20 at the time of issue of the warrants then you would have paid about \$11 for the warrant (about half the share price at the time plus an element of prepaid interest and costs). You can then pay \$12.16 to exercise the warrant any time on or before 29 May 2003 to receive one AMP share per warrant. Because you only pay about half of the underlying share price when buying the instalment, the issuer lends you the other half of the purchase price. This is why there is a prepaid interest component in the first instalment.

Rolling instalment warrants are a new variation on existing instalments. They have a much longer life – up to 10 years. Each year the issuer may reset the exercise price. At the end of each year, you may choose to exercise, cash out the warrant or roll into the following year. If you do nothing you will automatically be rolled into the following year. Rolling into the following year means you accept the new exercise price. This may mean you will need to pay an additional amount to the issuer, or you'll receive an amount from the issuer (depending on whether the exercise price is increased or decreased). If you don't pay this amount, the issuer may terminate some of your warrants and use the proceeds to meet the amount due. Conceptually, these warrants can be seen as a series of consecutive one year instalment warrants with the exercise price being reset each year.

Advantages of warrants

Leverage or gearing

Warrants offer varying degrees of leverage or gearing. This can range from negligible gearing to very high gearing, depending on the type of warrant. Generally speaking, investment style warrants offer less gearing than trading style warrants. Leverage or gearing means what it sounds like, i.e., using levers or gears to get bigger results for less work. For example, the market value of a trading call warrant might increase by 20% (say) for a 5% change (say) in the underlying share price.

Example	XYZ Warrant	XYZ Shares
20/06/2002	\$0.47	\$13.68
16/08/2002	\$0.68	\$14.44
Absolute Profit	\$0.21	\$0.76
Percent return	44.7%	5.6%

In the example shown here, on 20 June 2002 the shares of XYZ Limited were trading at \$13.68 and the XYZ warrant was trading at \$0.47. By 16 August 2002, the warrant was trading at \$0.68 and the shares were trading at \$14.44 giving you a 44.7% return from the warrant (not annualised) compared with a 5.6% return on the shares.

This effect associated with the warrant is known as gearing or leverage. However a decrease in the value of the underlying share will also result in a greater percentage decrease in the trading price of the warrants, i.e. leverage works in both ways.

Example of how leverage can limit your loss

If you buy 1,000 ANZ call warrants which have a current market price of \$0.50 per warrant, then the maximum amount you can lose is \$500 (i.e. $\$0.50 \times 1,000$)*. However, these warrants may give you

exposure to \$10,000 worth (say) of ANZ shares, so a similar exposure in the shares would cost you \$10,000. If the share price dropped significantly you could lose far more than the \$500 you invested in the warrants.

Speculation

A speculator is a trader who is prepared to bear more risk in return for an expected higher return. If a speculator believes that the value of a particular asset will rise in the future they could purchase the asset now in anticipation. An alternative would be to buy a deliverable call warrant over the same asset to get the benefits of gearing if they are correct. The difference between these and other alternatives is the cost of investment. Purchasing a leveraged trading warrant costs less than purchasing the underlying asset. There is however the risk that if the stock movement is adverse, the warrant may be worthless at the expiry date.

Wealth Creation

Some warrants are structured as longer-term investment style products. The advantages of investing in these types of products might be enhanced capital growth, higher dividend yields, capital protection or a combination depending on the nature of the product. Instalments for example give holder's enhanced capital growth and dividend yields. They may allow for tax effective cash extraction and diversification and could offer many benefits for DIY Super Funds**.

Cash Extraction

Instalments can provide you with the flexibility of extracting cash out of your share portfolio while maintaining the same level of exposure to your shares. This is known as a 'Cash Extraction' strategy.

* excluding transaction costs when you purchase the warrant.

** We suggest that you consult your accountant, tax adviser or financial planner about the tax treatment of investment style warrants.

Example

An investor holds 5,000 ANZ shares, currently trading at \$14.90 (a \$74,500 investment) but is looking to diversify. The dilemma they are faced with is that if the investor sells some shares, they reduce their exposure to ANZ, and there may be possible CGT implications. Both of these problems can be dealt with by switching the shares for instalments e.g., ANZIGA.

Date 20th Sept 2001

ASX Warrant code: ANZIGA

Warrant Price: \$7.74

Share Price: \$14.90

Final Payment: \$8.45

Conversion Ratio: 1 Instalment for 1 share

The investor gives their ANZ shares to the issuer where they are held in trust. In return the investor receives an equivalent number of instalments (5,000) and a cash back amount.

Cash back = difference between ANZ share price and the Instalment Price x Number of shares

$$\begin{aligned} &= (\$14.90 - \$7.74) \times 5,000 \\ &= \$35,800 \end{aligned}$$

If the cash back amount is used for investment purposes, there may be no CGT implications (you will need to consult your financial planner). The investor has achieved diversification without incurring CGT.

Portfolio protection – hedging

Equity and index put warrants allow investors to protect the value of their portfolio against falls in the market or in particular shares. Put warrants allow investors to lock into a selling price for the underlying instrument. Protecting your position in this way is called hedging. A hedge is a transaction, which reduces or offsets the risk of a current holding.

Market exposure

Some warrants, such as index and basket warrants, offer you the opportunity to profit from movements in the market or in a sector without necessarily owning a large portfolio. Foreign index warrants, international equity warrants and currency warrants allow you to gain exposure to overseas and other markets.

Tailored to meet specific requirements

Warrant issuers have flexibility in structuring warrants, which allow a warrant series to be tailored to the investment needs of different investors. For example, index warrants may appeal to investors looking to profit from moves in a particular index over a short period of time, while instalment warrants may appeal to investors looking for medium to long term exposure.

Example:

Trading warrants beginning with 'ZQQ' refers to the NASDAQ-100 Index Tracking Stock, which tracks the movements of the NASDAQ-100 index. This product provides investors with the opportunity to gain exposure to the US Nasdaq market.

Risks with warrants

There are certain risks involved in investing and trading warrants. Different warrant series will have specific risks and different risk profiles. You should only invest in warrants if you understand the nature of the products (specifically your rights and obligations) and the extent of your exposure to risk. Before you invest you should carefully read the Disclosure Documents, assess your investment objectives, financial resources and other

relevant considerations and discuss these with your ASX Accredited Derivatives Adviser or financial adviser. For a more detailed explanation of the general risks associated with warrants you can attend an ASX introductory warrants course, download the "Understanding Trading and Investment Warrants" booklet from www.asx.com.au, and download warrant disclosure documents.

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Warrant issuers and the disclosure document

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Who issues warrants?

Warrants may only be issued by institutions that meet the strict eligibility criteria set out in the ASX Business Rules. They are usually very large investment banks.

A list of all warrants and warrant issuers is available on the ASX Internet site. Go to www.asx.com.au/warrants and click on 'Warrant Issuers' under Related Links.

Disclosure Documents

Warrant issuers are required to produce a disclosure document for every warrant series. A Disclosure Document sets out

information for investors to assess the risks, rights and obligations associated with the warrant and the warrant issuer's capacity to fulfil its obligations.

Most Disclosure Documents are available on the ASX web site (www.asx.com.au).

Matrices

Warrant issuers publish and distribute warrant matrices. Matrices provide an indicative price correlation between warrant prices and share prices on a daily basis. These matrices are indicative and are only to be used as a guide for investors.

Trading and settlement

Understanding Warrant Codes

Warrants are traded on the ASX share trading system, SEATS ('Stock Exchange Automated Trading System').

All warrants have a six-letter code. For example, warrants with the code **TLSWAA** are issued by ANZ Banking Group Limited over the ordinary shares of Telstra.

- The first three letters, **TLS**, indicate the code of the underlying instrument – in this case Telstra
- The fourth letter is either **W**, **I**, **E** or **X** depending on the type of warrant. Generally, **W** = equity, index and currency warrants, **I** = instalments, **E** = endowments and **X** = all other types
- The fifth letter **A** indicates the warrant issuer (ANZ Banking Group Limited)
- The last letter **A** is the market code for the warrant series (generally warrants are sequentially allocated letters A-O for calls and P-Z for puts).

Market making

Warrant issuers are obliged to maintain markets for the life of their warrants providing a bid and offer price on SEATS.

However, there are currently no obligations for an issuer to keep a specified spread or volume. This means that ASX does not mandate the difference between an issuer's buy and sell quotes on SEATS, nor what volumes it must offer to buy or sell.

Trading information

Twenty minute delayed trading details are available on the ASX internet site. To access this go to www.asx.com.au/warrants and click on the link to Warrant Prices under 'Warrants prices and trading information'. Live prices are also available from many issuer and broker web sites. The trading prices of warrants are published daily in a number of major newspapers.

Warrant trade settlement

Warrants are settled in the same manner as other securities traded on SEATS. This is through the equities settlement system, CHES ('Clearing House Electronic Sub-register System'), on a T+3 basis. T+3 means that the transaction must be settled within the trading day plus three business days.

ASX CODE	Unit Call	Ex. Price	Expiry Date	Conv Ratio	Bid	Ask	Last Sale	Volume 100s
Call Warrants								
AAPT Last Sale Price \$7.12								
AAPWA	2097	3.00	25/01/01	4:1	-	1.25	1.03	475
AMP Last Sale Price \$17.75								
AMPWF	7403	14.50	28/09/00	4:1	.87	.88	.88	-
AMPWA	7263	15.00	28/09/00	4:1	.71	.73	.71	-
AMPWZB	7460	16.00	28/09/00	2:1	1.03	1.07	1.05	-
AMPWE	7333	17.00	28/09/00	4:1	.325	.32	.325	-
AMPWSD	7379	17.50	28/09/00	4:1	.235	.255	.24	-
AMPWF	7524	18.00	28/09/00	4:1	.19	.20	.185	400
AMPWE	7434	18.50	23/11/00	4:1	.345	.31	.28	-
AMPWF	7617	18.00	21/11/00	4:1	.65	.68	.68	-
AMPWSD	7614	18.00	21/11/00	2:1	1.24	1.28	1.23	-
AMPWA	7504	17.00	21/11/00	4:1	.81	.82	.81	-
AMPWF	7520	17.00	21/11/00	4:1	.50	.51	.50	-
AMPWFS	7624	15.50	28/03/01	4:1	.85	.87	.86	-
AMPWZB	7876	18.50	29/03/01	4:1	.47	.48	-	-
ANZ Bank Last Sale Price \$12.93								
ANZWSB	7380	10.50	28/09/00	2:1	1.24	1.28	1.19	-
ANZWMJ	7233	11.00	28/09/00	2:1	.99	1.08	.95	-
ANZWF	7516	11.50	28/09/00	3:1	.64	.66	.61	-
ANZWC	7206	11.50	28/10/00	2:1	.88	.90	.86	-
ANZWF	7625	12.50	28/01/01	2:1	.41	.42	.43	-
ANZWDH	2017	13.50	25/01/01	2:1	.39	.40	.42	-
ANZWSA	7899	13.50	22/02/01	2:1	.53	.54	.57	-
B.H.P. Last Sale Price \$19.20								
BHPWF	7366	17.50	28/09/00	4:1	.55	.57	.56	60
BHPWZC	7462	18.00	28/09/00	4:1	.42	.45	.45	45
BHPWDI	7324	18.00	28/09/00	4:1	.355	.365	.355	-
BHPWF	7234	19.50	28/09/00	4:1	.33	.35	.33	308
BHPWF	7517	19.50	28/09/00	4:1	.235	.25	.26	-

How to start using warrants

Education

ASX recommends that investors wishing to invest in warrants for the first time or those wishing to learn more about warrants should attend an ASX warrants course. These courses are run by highly qualified ASX staff. The two courses currently offered are 'An Introduction to Trading Warrants' and 'an Introduction to Investment Warrants'. Completion of both courses will help you to evaluate the use of warrants in an investment portfolio.

Some warrant issuers also hold regular courses on these topics at an introductory, intermediate and advanced level. This provides investors with an opportunity to talk to professionals dealing with these securities on a daily basis.

Accredited Derivatives Advisers

ASX requires that before making recommendations or giving advice in relation to warrants and options, a broker must be accredited by the ASX. The accreditation requirement is designed to enable brokers to give quality advice and service on ASX derivative products.

You can place an order for warrants with any broker, however you should only receive advice from an ASX Accredited Derivatives Adviser. A partial list of ASX Accredited Derivatives Advisers can be found at www.asx.com.au/warrants beneath 'Accredited Warrant Advisers'.

You should understand the terms of the particular warrant series you wish to invest in. We strongly recommend you read the disclosure document and the

terms of issue of the warrant series to find out about your rights and obligations in relation to the warrant series. Your broker should be able to provide you with a summary of specifications for all warrants currently available for trading. Alternatively, you can download a list of warrants currently traded on the ASX from the ASX internet site.

Warrant client agreement form

Before you trade your first warrant via a particular broker you will be required to sign a Warrant Client Agreement Form and receive a copy of the more comprehensive ASX booklet called "Understanding Trading and Investment Warrants".

Differences between Warrants and Options

Warrants and Options are category names for two financial product groups traded on ASX. In both cases the value of the product is linked to the value of something else, usually another financial product. For example, the price of a Telstra warrant is linked to the trading price of a Telstra share.

The major differences between options and warrants arise because of the very broad range of warrant products available (more than 20) compared to options. For example, a Telstra call option is different to a 10-year Telstra instalment or a Telstra endowment warrant.

When deciding whether an option or warrant suits your investment needs you should consider your financial objectives as well as what level of risk you want to assume.

Differentiator:	Warrants	Options
Which trading system?	SEATS (ASX's share trading system)	DTF (ASX's option trading system)
Which clearing and settlement system?	CHESS (ASX's share clearing system)	OCH (ASX's option clearing system)
Who issues them?	A warrant issuer – usually one of the international investment banks or major domestic banks	ASX decides which options to make available for trading according to market demand
What are the Terms of Issue?	Variable depending on the issuer and type of product	Standardised and set by ASX
What types of products are available?	More than 20 ranging from capital guaranteed investments to instalments to high risk/high return trading warrants	<ul style="list-style-type: none"> • Equity calls and puts • Index calls and puts • Low Exercise Price Options (LEPOs)
What is their lifetime?	Between 3 months and 10 years	Spot (current), 3, 6, 9, or 12 months
Who trades them?	Private clients	Institutions and private clients
What about Market liquidity?	Under ASX Rules, Warrant Issuers undertake to 'make markets' by providing a continuous bid and offer for the life of the product	Under ASX Rules, obligated market makers must provide either a quote request or continuous markets for specified spreads and quantities
Can I trade online?	Yes – in the same way as you trade shares on line	Check the ASX website for brokers who offer online services
Can I short sell or write?	No	Yes
How many shares can each product be exercised into?	Depends on the conversion ratio decided by the issuer: the number of warrants to get 1 underlying asset	Each option contract is over 1,000 shares
Are specific client agreements with my stockbroker required before I trade?	Yes – you must sign a Warrant Client Agreement Form and read the orange ASX warrant booklet	Yes – you must sign an Option Client Agreement Form and read the red ASX option booklet

