



ASX

AUSTRALIAN SECURITIES EXCHANGE

ASX ETO Market Making Scheme

(as at 2 May 2012)

Role of ETO Market Makers

Market Makers play an important role in the ASX options market. Market Makers compete against one another while trading on their own accounts and at their own risk. Under contractual arrangements with ASX, they are incentivised to achieve benchmark quoting requirements.

The quoting requirements are to ensure liquidity in the market, so that traders are more easily able to trade into and out of an options position and also so that other traders and investors are more easily able to price and value options positions.

Liquidity is assisted when there are multiple Market Makers covering each stock. ETO Market Makers are contracted into one or more Classes (representing each underlying security) in which they must meet ASX's volume and spread requirements with maturities going out one year. This involves quoting buy and sell prices for a certain number of series, and/or responding to quote requests from other Market Participants for prices.

Description of Quoting Requirements for Market Makers

For each option Class in which a Market Maker is responsible there are three quoting benchmark requirements. Market Makers are judged on their performance in making markets in certain series on a Continuous Basis **and** on making markets in response to Quote Requests in certain series.

- Minimum of 50% on the required Continuous Quoting benchmark;
- Minimum of 50% on the required Quote Request Quoting benchmark; and
- A combined minimum average of 70% on Continuous Quoting **and** Quote Request Quoting

Continuous Quoting Benchmark;

The market maker is required to provide continuous orders in eighteen series encompassing three calls and three puts in three of the next six expiration months. Each order must be for at least the minimum quantity, and at or within the designated maximum spread requirements.

Quote Request Quoting Benchmark;

The market maker is required to provide orders on request for all series with up to twelve months expiration in the minimum quantity and at or within the maximum spread.

Minimum Contracts

Each security (class) over which exchange traded options are traded has been allocated to a category designated by ASX. ASX has four different Class categories. A security is placed in a category by reference to the liquidity of such security. Category 1 stocks are the most highly liquid whereas Category 3 stocks are the least liquid category. The category of the security determines the minimum number of contracts for which the market maker must quote a price.

ETO Categories with associated minimum quoting size requirements

Option Class Category	Minimum Contracts (based on 1000 shares per contract)	Minimum Contracts (based on 100 shares per contract)
Category 1	3	30
Category 2	2	20
Category 3	1	10
Index* ¹	5	5

Quoting Requirement Notes

Investors in ASX ETOs should be aware of the following;

- Market Maker monitoring (as to the Market Maker's quoting performance against the benchmark requirements) is calculated over the course of a calendar month not daily.
- Market Maker monitoring (as to the Market Maker's performance against the benchmark requirements) times are: 10.20am – 4.00pm for single stock options; and 10.00am – 4.30pm for index options.
- Market makers are not required to quote option series with a maturity beyond 12 months, although they may respond to quote requests in these series.
- Regarding single stock option classes (e.g. BHP & TLS), Market Makers are not required to quote into European style series. They are only required to quote into American style series.
- Market Makers are not required to provide quotes in all series, or at all times, and as such there can be no guarantee that all series will have prices displayed. The ability of Market Makers to provide quotes can be impacted at times by a variety of factors including, company announcements, company corporate actions, liquidity in the underlying and its options, price volatility in the underlying and its options and trading system limitations. While these events may occur infrequently traders and investors should have a contingency plan to deal with an absence of quotes.

¹ Index multiplier to remain at \$10 per point when Single Stock ETOs are changed from 1000 shares per contract to 100.

ETO Classes – Category, Quoting Schedule and Market Maker coverage

As at 2 May 2012

EXCHANGE TRADED OPTIONS														
ETO Class	Cat.	Quoting Schedule	Timber Hill	IMC Pacific	Susquehanna Pacific	Optiver	UBS	Liquid Capital	BAML	Mosaic	Eclipse	Citi Group	CBA	Tibra
AGK	3	2	x	x	x	x	x	x		x				
AIO	1	1	x	x	x	x	x							
AMC	2	2	x	x	x	x	x							
AMP	1	1	x	x	x	x	x			x				
ANZ	1	2	x	x	x	x	x	x	x	x	x			
ASX	3	3	x	x	x	x								
AWC	1	1	x	x	x	x	x							
BHP	1	3	x	x	x	x	x	x	x		x		x	
BLD	2	1	x	x	x	x	x							
BSL	1	1	x	x	x	x		x			x			
BXB	1	2	x	x	x	x	x			x				
CBA	2	4	x	x	x	x	x	x	x		x			
CCL	2	2	x	x	x	x	x			x				
CPU	3	2	x	x	x	x								
CSL	2	3	x	x	x	x	x							
CSR	1	1	x	x	x	x								
DJS	3	1	x	x	x	x	x							
EGP	2	1	x		x									
FMG	1	1	x	x	x	x	x	x			x			
FXJ	2	1	x	x	x	x								
GPT	1	1	x	x	x	x								
HVN	3	1	x	x	x	x	x							
IAG	2	1	x	x	x	x	x							
IFL	3	2	x	x	x	x								
ILU	2	2	x		x	x								
IPL	2	1	x	x	x	x	x	x						
JHX	3	2	x	x	x	x								
LEI	3	2	x	x	x	x								
LLC	3	2	x	x	x	x								
MOG	2	3	x	x	x	x					x			

ETO Classes – Category, Quoting Schedule and Market Maker coverage (continued)
As at 2 May 2012

EXCHANGE TRADED OPTIONS														
ETO Class	Cat.	Quoting Schedule	Timber Hill	IMC Pacific	Susquehanna Pacific	Optiver	UBS	Liquid Capital	BAML	Mosaic	Eclipse	Citi Group	CBA	Tibra
MYR	3	1	x	x	x	x								
NAB	1	3	x	x	x	x	x	x	x		x		x	
NCM	2	3	x	x	x	x	x	x						
NWS	2	2	x	x	x	x	x							
ORG	2	2	x	x	x	x	x	x						
ORI	3	3	x	x	x	x		x						
OSH	1	2	x	x	x	x	x	x			x			
OST	1	1	x	x	x	x	x	x						
OZL	1	2	x	x	x	x	x	x			x			
QAN	1	1	x	x	x	x	x							
QBE	2	2	x	x	x	x	x	x			x			
QRN	1	1	x	x	x	x								
RIO	2	4	x	x	x	x	x				x			
RMD	3	1			x	x						x		
SGM	3	2	x	x	x	x								
SGP	2	1	x	x	x	x	x							
STO	1	2	x	x	x	x	x	x		x	x			
SYD	3	1	x	x	x	x								
SUN	2	2	x	x	x	x	x			x				
TAH	2	1	x	x	x	x								
TAB	2	2	x		x									
TCL	2	2	x	x	x	x	x							
TEN	3	1	x	x	x	x								
TLS	1	1	x	x	x	x	x	x	x	x	x	x		
TOL	2	1	x	x	x	x	x			x				
TTS	3	1	x	x	x	x								
TWE	3	1			x	x						x		
WBC	1	3	x	x	x	x	x	x	x		x			
WDC	1	2	x	x	x	x	x		x	x				
WES	1	3	x	x	x	x	x	x						
WOR	3	3	x	x	x	x	x							
WOW	1	3	x	x	x	x	x	x	x	x	x			
WPL	2	3	x	x	x	x	x	x			x			
WRT	2	1	x	x	x	x								
XJO	Index	6	x	x	x	x		x	x		x		x	x

Quoting Schedules (Max Spreads) for ETO classes

Schedule 1

Premium range (Bid based)	Maximum Spread (cents)
0 to 9.5 cents	5
10 to 19.5 cents	6
20 to 34.5 cents	8
35 to 59.5 cents	10
60 to 119.5 cents	12
120 to 179.5 cents	14
180 to 249.5 cents	20
>250 cents	25

Schedule 2

Premium range (Bid based)	Maximum Spread (cents)
0 to 9.5 cents	6
10 to 19.5 cents	7
20 to 34.5 cents	9
35 to 59.5 cents	12
60 to 119.5 cents	14
120 to 179.5 cents	18
180 to 250.5 cents	22
251 to 499.5 cents	35
500 to 749.5 cents	50
750-999.5 cents	65
≥1000 cents	80

Schedule 3

Premium range (Bid based)	Maximum Spread (cents)
0 to 9.5 cents	8
10 to 19.5 cents	10
20 to 34.5 cents	15
35 to 59.5 cents	20
60 to 119.5 cents	30
120 to 179.5 cents	40
180 to 250.5 cents	50
251 to 499.5 cents	60
500 to 749.5 cents	70
750-999.5 cents	80
1000-1999.5 cents	90
≥2000 cents	130

Schedule 4

Premium range (Bid based)	Maximum Spread (cents)
0 to 9.5 cents	10
10 to 19.5 cents	12
20 to 34.5 cents	18
35 to 59.5 cents	24
60 to 119.5 cents	35
120 to 179.5 cents	45
180 to 250.5 cents	55
251 to 499.5 cents	65
500 to 749.5 cents	75
750-999.5 cents	85
1000-1499.5 cents	100
1500-1999.5 cents	150
2000-3999.5 cents	200
≥4000 cents	300

Schedule 5

Premium range (Bid based)	Maximum Spread (cents)
0 to 9.5 cents	12
10 to 19.5 cents	15
20 to 34.5 cents	20
35 to 59.5 cents	25
60 to 119.5 cents	35
120 to 179.5 cents	45
180 to 250.5 cents	60
251 to 499.5 cents	70
500 to 749.5 cents	80
750-999.5 cents	90
1000-1499.5 cents	110
1500-1999.5 cents	160
2000-5999.5 cents	320
≥6000 cents	400

Schedule 6 (Index)

Premium range (Bid based)	Maximum Spread (points)
0 to 9 pts	6
10 to 19 pts	7
20 to 34 pts	9
35 to 59 pts	12
60 to 119 pts	14
120 to 179 pts	18
180 to 249pts	22
250 to 499 pts	35
500 to 749 pts	50
750 to 999 pts	65
≥1000 pts	80

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