



## Equity and Index Options Listing Guidelines - for ASX equity markets



## Contents

Introduction .....	3
Equity and Index Options Class Listing Guidelines .....	4
Equity and Index Options Series Listing Guidelines .....	5
Series Listing Request Guidelines .....	6
LEPOs.....	6
Delisting Guidelines .....	7

## Introduction

This booklet outlines the characteristics and guidelines for listing of the various types of options that are traded on the Equity and Index Options Market operated by ASX.

This booklet is designed to assist market participants to:

- Formulate proposals for ASX Management regarding the possible listing of new option classes
- Understand the convention for listing new equity options series
- Understand the convention for series listing requests
- Identify consideration regarding the delisting of option classes

ASX Operating Rule 2210 outlines the requirements for the approval of Underlying Financial Products or Underlying Indices by ASX. Under that rule, ASX may approve:

- (a) Financial Products as Underlying Financial Products if a substantial number of the Financial Products are, or, in the opinion of ASX, will be, widely held and actively traded on a financial market;
- (b) an index as an Underlying Index where the index is listed in, or meets the criteria set out in Schedule 5; and
- (c) any Futures Market Contract as an Underlying Financial Product.

This booklet outlines the guidelines established by the Exchange for the purposes of the above Rules. The guidelines are subject to any periodical change that the ASX considers appropriate.

## Equity and Index Options Class Listing Guidelines

### Standard Exchange Traded Options

Standard exchange traded options are option contracts with the following features:

- (a) The underlying Securities are typically fully paid ordinary shares or units in a company or Managed Investment Scheme listed on ASX<sup>1</sup>.
- (b) American style exercise
- (c) Call and Put categories
- (d) A range of exercise prices available
- (e) A quantity of 100 securities per contract, subject to adjustment in accordance with the ASX Operating Rules

While 100 is the standard contract size, ASX may open under ASX Operating Rule 2221, new series in an existing or new class with a different contract size.

Index options have a standard multiplier of \$10 per point and are European style exercise. Index options have market maker obligations for a minimum of 5 lots.

Classes will be listed as Category 1, Category 2 or Category 3:

- Category 1 class options have market maker obligations for a minimum of 30 lots
- Category 2 class options have market maker obligations for a minimum of 20 lots
- Category 3 class options have market maker obligations for a minimum of 10 lots

The current list of all ETO series (updated daily) can be found at:

[http://www.asx.com.au/data/options\\_code\\_list.csv](http://www.asx.com.au/data/options_code_list.csv)

### Standard ETOs carry Market Maker obligations

ASX requires at least two market making firms with quoting obligations in Category 1, Category 2 and Category 3 classes. Please note a new class listing also requires at least two market makers to be present.

New ETO classes will be listed in either Category 1, Category 2 or Category 3 based on the size and liquidity of the underlying security.

A class that does not have any market maker supporting it may have historically been listed as a Flex class. However, going forward ASX will not list flex type options.

For further details relating to ETO market makers and class coverage please refer to:

[http://www.asx.com.au/documents/products/asx\\_eto\\_market\\_making\\_scheme.pdf](http://www.asx.com.au/documents/products/asx_eto_market_making_scheme.pdf)

<sup>1</sup> Options contracts can be over other underlying securities such as Chess Depository Interests (CDIs) of foreign companies.

## Listing Guidelines for Standard Exchange Traded Options

ASX applies the following guidelines for determining eligible Underlying Financial Products for Standard ETOs:

1. The underlying securities must be issued by entities which have an issued capital of at least \$250 million domestic market capitalisation
2. The liquidity of the underlying securities, including off market trades, must be greater than 20% over the 6 months prior to consideration or since the relevant issuer of the underlying securities was first listed (if it has been listed for less than 6 months). This figure is calculated by dividing the total value of turnover by the average domestic market capitalisation
3. The underlying securities are a component of the S&P/ASX 200 index or likely to be in the near future
4. ASX has at least 2 Market makers willing to cover the ETO Class

In addition to the quantitative guidelines, ASX will have in special circumstances regard to other specific factors (without limitation) such as potential market demand when considering underlying securities that are not included in the S&P/ASX 200 index e.g. as a component of a basket option following an adjustment event or a successful takeover bidder's securities.

In relation to the listing of Index options, ASX may approve an index as an Underlying Index where the index is listed in or meets the criteria set out in Schedule 5 of the ASX Operating Rules.

### First Day Listings

ASX will, on a case-by-case basis, consider the listing of options over Securities on or from the first day on which the Securities are quoted on ASX. In making its determination to list before the underlying Securities have commenced trading, ASX in its sole right will consider the likely market capitalisation, and likely turnover after the underlying Security is listed.

If the Securities initially commence trading on a Conditional Market basis, ASX will only consider listing the ETO after normal trading has commenced.

## Equity and Index Options Series Listing Guidelines

### Monthly Maturities

- With regard to new **Category 1, Category 2 and Category 3** ETO Classes, as a general rule ASX will list series in the first 6 maturity months only. At the end of a six month trial period ASX will make a decision to either list out to a 3 year maturity (as described below) or stop listing new series all together. This decision will be made based on Market Maker support and success of the ETO Class.
- With regard to existing **Category 1, Category 2 and Category 3** ETOs, ASX will list series in the first 6 maturity months and then only March, June, September and December expiry months out for a period of 2 years. For maturities in year 3 ASX will only list June and December expiry months. ASX will not list Category 1, Category 2 or Category 3 ETO series with expiries beyond 3 years.

With regard to the Index ETO contracts, ASX will list series in the first 3 maturity months and then March, June, September and December expiry months. ASX will not list index ETO series with expiries beyond 18 months. [Strikes](#)

As a general rule, ASX will attempt to list options at the following strike price increments:

### Equity options series

- 10 cent intervals for a strikes 0-199c
- 25 cent intervals for a strikes 200-1000c
- 50 cent intervals for a strikes >1000c

Please note ASX is currently trialling a new listing schedule for a number of ETO Classes which is different from the above. ASX is planning to start moving all ETO Classes across to the following strike price increments from May 2012 in a phased manner.

Strike Price increments/ intervals		
Strike/ Exercise Price	Increments first 12 months	Increments next/ back 24 months
< \$2.00	\$0.05	\$0.10
\$2.00 to \$5.00	\$0.10	\$0.20
\$5.00 to \$15.00	\$0.25	\$0.50
\$15.00 to \$50.00	\$0.50	\$1.00
\$50.00 to \$100.00	\$1.00	\$2.00
> \$100.00	\$2.00	\$4.00

### XJO options series

- 50 point intervals for near months (first 5 expiry months)
- 100 point intervals for far dated months (back 3 expiry months)

### Series Listing Request Guidelines

ASX may list individual series on request from an ASX Market Participant.

Requests for ETO series listings are to be sent to Market Control. ASX may decline to approve any ETO series as it sees fit. Where approved by ASX, requests received by 3.30pm will normally be available for trading on ASX Trade the following business day. Requests received post 3.30pm will be processed the following business day.

ASX will continue to use its discretion concerning strike listing requests. ASX may, at its own discretion, remove strikes that have failed to trade after a period of time.

### American Style Options

In a class with existing American Style options (e.g. BHP and TLS) ASX would only consider American strike listing requests that fall inline with that class' maturity convention and strike increment convention (including adjusted strike increments and contract sizes).

### European Style Options

In American style classes, ASX will only consider requests for European style options whereby a maturity date has already been established in that class and with odd strikes that do not clash with the established American strike increment convention. ASX imposes a maximum 1 year maturity for European style options (excluding LEPOs).

### Index Options

Index option listing requests for XJO contract series will only be considered in established maturity cycles on the ASX index strike listing increments schedule i.e. either 50 or 100 point increments.

### Request for new ETO Classes

Requests for a new options class are to be sent to ASX Business Development. ASX may decline to approve any new options class, even though it meets the class listing guidelines. For example, ASX may decline to approve a new options class unless there are at least 2 registered market makers who will nominate in that class. New listings will be notified via publication of a Derivatives Notice.

### Pricing of Longer Dated Series

ASX Trading Participants and ASX Clear Participants should be aware that ASX Clear settlement and margin prices are all based on pricing parameter assumptions to some degree, and this matter should be recognised in particular when referencing settlement and margin prices for long dated series.

## LEPOs

LEPOs are low exercise price options listed on the ASX Options market. ASX applies the same criteria for listing of standard exchange traded options to the listing of LEPOs<sup>2</sup>. ASX will consider the listing of LEPO series in classes outside the universe of classes on a case by case basis. LEPOs do not have market making requirements associated with them and as such two market makers are not required to be assigned before listing.

<sup>2</sup> LEPO eligibility criteria is consistent with exchange-traded stock options. See Notice to Derivatives Trading and Clearing Participants No 088 dated 24 July 2001.

## Delisting Guidelines

ASX will consider delisting options over any underlying Security [or index] that fails to meet the current listing guidelines or for some other reason ASX considers delisting appropriate.

Delisting will be effected in one of the following ways:

1. If there are no open positions, ASX may consider immediate delisting of options
2. No further series will be added and delisting of options over the underlying Security or index will occur when all open positions have expired. The Exchange may restrict the opening of new positions in that class of options
3. Any other method ASX considers appropriate

If an existing class of options is liquid and clearly a successful product but fails to meet a current listing guideline in particular, ASX will, having regard to the open positions held by takers and writers, keep the class under review in case the Underlying Security recovers and satisfies the guidelines.

## Further Information

For further details on any of the information in this booklet or to request the listing of a new options class or series, please contact Gregory Pill, Manager, Equity Markets on 9227 0696 or [greg.pill@asx.com.au](mailto:greg.pill@asx.com.au).

### Disclaimer

ASX Limited ABN 98 008 624 691 (ASX) has published these Guidelines to promote commercial certainty and to assist Participants. Although every effort has been made to ensure the accuracy of the information as at the date of publication, ASX does not give any warranty or representation as to the accuracy, reliability or completeness of the information. Nothing in these Guidelines necessarily binds ASX in the application of the ASX Operating Rules in a particular case. In issuing this booklet ASX is not providing legal advice and market participants should obtain independent advice from a qualified professional person in respect of their obligations. ASX may replace or amend these Guidelines at any time without further notice to any person, in which case, the replacement or amended Guidelines will prevail. Readers should contact ASX to ensure they have the latest version. To the extent that there are any inconsistencies between these Guidelines and the ASX Operating Rules, the ASX Operating Rules prevail. Each listing will be considered on a case by case basis. ASX will have reference to these Guidelines in the exercise of its discretion, however nothing in this Guideline restricts ASX's discretion under its Operating Rules in the Classes of Option Market Contracts or Contract Series which ASX may list (or not list), and the specifications for such Contract Series which may be designated by ASX. For example (and without limitation), ASX may deviate from these Guidelines in whole or in part if ASX is of the opinion that special circumstances justify such departure. To the extent permitted by law, ASX and its related bodies corporate, employees, officers and contractors shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted or from anyone acting or refraining to act in reliance on this information.

