

Q&A for One Session Options on Futures

Interest Rate Derivatives | Australia

What are One Session Options?

One Session Options are European style options that are valid only in the session in which they were listed. We have two One Session Options contracts listed – Overnight Options and Intra-day Options.

Trading for Overnight Options begins at the start of the night session (5:10pm for the 3 Year Treasury Bond Overnight Options and 5:12pm for the 10 Year Treasury Bond Overnight Options) and ceases at the end of the night session. At the start of the next night session new Overnight Option contracts are listed.

Intra-day Options were first listed in 2002. Like Overnight Options, Intra-day Options only have a life span of one session. Trading begins at the start of the day session (8:30am for the 3 Year Treasury Bond Intra-day Options and 8:32am for the 10 Year Treasury Bond Intra-day Options) and ceases, prior to the close of the day session at 4:10pm. At the start of the next day session, new Intra-day Options contracts are listed.

Why trade One Session Options?

One Session Options are a cost-effective tool providing investors and traders with additional flexibility in the interest rate market. One Session Options can be used to manage short-term exposure, hedge existing futures and over-the-counter positions against event risk, profit through outright trading, and as an alternative to stop loss orders.

When are One Session Options most actively traded?

Overnight Options are actively traded at the start of the night session and prior to the opening of the US markets. Trading tends to be most active on days when the US FOMC (Federal Open Market Committee) cash rate and US economic announcements are made.

Trading in Intra-day Options is expected to be most active during the morning session. On economic and official cash rate announcement days, trading is expected to be heavy in the period prior to the announcement.

What products are the One Session Options listed on?

Overnight and Intra-day Options are available on the 3 and 10 Year Treasury Bond Futures spot quarter month contracts. Exercise prices are set at intervals of 0.01 per cent per annum. The Option premium is quoted in yield per cent per annum in multiples of 0.005 per cent.

When do the One Session Options become available on the next contract month?

Overnight Options trading on the spot quarter month contract ceases at the close of the night session on the business day prior to the expiry of the underlying futures contract. At the start of the next night session Overnight Options will be listed on the new spot quarter month.

For intra-day Options, trading on the spot quarter month contract ceases at the close of the Intra-day Options contract on the business day prior to the last day of trading in the underlying contract. At the start of the next day session, Intra-day Options will be listed on the new spot quarter month contract.

How is the expiry settlement price determined?

The expiry settlement price is the weighted average of trade prices in the underlying contract taken over a 10 minute period. The 3 Year Treasury Bond Overnight Options expiry settlement price is calculated between 8:30am and 8:40am in the next session. The 10 Year Treasury Bond Overnight Options expiry settlement price is calculated between 8:32am and 8:42am in the next session. The Intra-day Option expiry settlement price is calculated between 4:15pm and 4:25pm in the session that the Intra-day Options were listed for trading.

When is the expiry price disseminated to the market?

The expiry settlement price is disseminated to the market no later than 5 minutes after the expiry price is calculated.



Can I manually exercise my options prior to or after contract expiry?

As One Session Options are European style options they cannot be exercised prior to expiry. On expiry of the contracts, the options are automatically exercised or abandoned. The options cannot be manually exercised or abandoned.

When will my futures position from exercised options be allocated to my account?

One Session Options that are exercised into futures positions will be allocated to Clearing Participant accounts for the same trading day in which the

contracts were traded. Overnight Option positions are exercised the following morning at 9:30am. Intra-day Options are exercised at 5:15pm, after the close of the day session. At the start of the next business day, no open positions in the One Session Option contracts will exist.

What is the initial or deposit margin on a One Session Option position?

There is no initial margin payable on One Session Option positions, however a created futures position from options exercised will require an initial margin payment.



Further enquiries:

Domestic

T 131 279
E futures@asx.com.au

International

T +61 2 9338 0000
W asx.com.au

 Follow us @ASX
 Follow us on LinkedIn

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