

Equity and Index Options Listing Guidelines – for ASX equity markets

MARCH 2023



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This booklet is intended as a guide only. Nothing in this booklet is to be construed as an obligation on ASX to list, or delist, options over particular Securities or Indices. Each listing is subject to separate consideration and determination by ASX on a case by case basis.



Introduction

Overview

This booklet outlines the characteristics and guidelines for the 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

Single Stock 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
- (b) American / European 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
- (f) Physically settled

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

Index exchange traded option contracts have the following features:

- (a) The underlying is a recognised index (i.e. XJO)
- (b) European style exercise
- (c) Call and Put categories
- (d) A range of exercise prices available
- (e) Generally have a standard multiplier of \$10 per point
- (f) Cash settled

Exchange Traded Product (ETPs) options are contracts with the following features:

- (a) The underlying Securities are typically an exchange traded fund (ETF)
- (b) European style exercise
- (c) Call and Put categories
- (d) A range of exercise prices available
- (e) A quantity of 100 securities per contract
- (f) Physically settled



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

<http://www.asx.com.au/data/ASXCLDerivativesMasterList.csv>

Standard ETO's carry Market Maker obligations

ASX requires at least two market making firms with quoting obligations in standard ETO classes. The minimum market maker quote size per ETO Class is set according to the underlying security's liquidity, volatility and previous trading volume.

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

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

ETO market making scheme link on <http://www.asx.com.au/products/equity-options/market-making.htm>

Listing Guidelines for Standard Exchange Traded Options

ASX applies the following guidelines for determining eligible Underlying Financial Products for Standard ETOs before any listing are effective and reviewed periodically once options have been listed:

1. The underlying securities must be issued by entities which have an issued capital of at least \$500 million domestic market capitalisation or in the case of ETPs have FUM of at least \$500 million.
2. The liquidity of the underlying securities, including off market trades, must:
 - i. 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.
 - ii. have an average daily turnover of more than \$3 million.
3. For single stock options 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.

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 Single Stock ETO Classes, as a general rule ASX will list a series in the first 6 maturity months only. At the end of a trial period ASX will make a decision to either list out to a 1, 1.5 or 3 year maturity depending upon the ETO Class in question (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 ETO Classes, ASX will list maturities out 1, 1.5 or 3 years depending upon the ETO Class in question. Regardless of maturity ASX will list series according to appropriate market maker coverage and the following policy; 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 ETO series with expiries beyond 3 years. With regard to the Index ETO contracts, ASX will list series in the first 6 maturity months and then March, June, September and December expiry months. ASX will not list index ETO series with expiries beyond 18 months.
- With regard to ETP ETO contracts, ASX will list series in the first 4 maturity months and then March, June, September and December expiry months. ASX will not list ETP ETO series with expiries beyond 12 months.

Weekly Maturities

- Weekly maturities follow the same guidelines as monthly maturities, though generally ASX will consider weekly maturities where there is sufficient client interest and Market Maker support. Additionally, securities must already have monthly contracts listed with a minimum of two market makers quoting the security.
- With regard to Single Stock options, ASX will normally list the front 3 weeks which may or may not include a monthly expiry. XJO weeklies will have the front four weeks listed.



Strikes

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

Equity options (Single Stock and ETPs) series (American & European Style)

Strike Price increments/ intervals		
Strike / Exercise Price	Increments first 12 months	Increments post 12 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 (European Style)

- 25 point intervals for near months (first 5 expiry months)
- 50 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 Trading Operations. 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.

In general ASX will allow a trading participant a maximum of 20 new option series requests per day per ETO Class unless a valid reason can be given as to why more are required.



American Style Options (Single Stock)

In a class with existing American Style options (e.g. BHP and TLS) ASX would only consider American strike listing requests that fall in line with that class' maturity convention and strike increment convention (including adjusted strike increments and contract sizes). In general, ASX will only list American style option strikes with a maturity less than a year within a 50% to 150% range of the current underlying price. As ASX has an automated system which lists new Single Stock American ETO series around the ATM every night, it will be reluctant to list market requested American style ETOs without justified reasoning.

European Style Options (Single Stock)

In American style classes, ASX will generally only consider requests for European style options whereby a maturity date has already been established in that class and whereby the requested strike(s) is/are 1c higher than the American strike price increment. ASX imposes a maximum 1 year maturity for European style options (excluding LEPOs and ETO classes with appropriate market maker obligations extending beyond 1 year). European options will have an upside strike limitation whereby the highest strike requested cannot be more than double the current underlying price for maturities less than a year and 150% for series greater than a year.

European Style Options (Index)

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 25 or 50 point increments.

European Style Options (ETPs)

Option listing requests for ETP contract series will only be considered in established maturity cycles on the ASX strike listing increments schedule.

Request for new ETO Classes

Requests for a new options class are to be sent to ASX Trading Operations. 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 LEPOs². 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.

²LEPO 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 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 equity.derivatives@asx.com.au



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