



ASX

AUSTRALIAN SECURITIES EXCHANGE

# Tailor Made Combinations

Multiple legs, one order, one net price

Tailor Made Combinations (TMCs) give you the opportunity to enter multi leg strategies and know the strategy will only be executed at a net price specified by you.

The convenience and certainty of TMCs has been recognised by option traders with over 40% of the traded volume in ASX's Equity Options market now executed via TMCs.

Once created, your TMC is visible to the entire market both as a combination and via orders in the individual legs. TMCs can be simultaneously matched against each individual leg to satisfy your combination order at your net price.

## Key features of TMCs

- You can create strategies with up to four different legs on a ratio of up to 4:1.
- Individual legs are combined as one order and you enter the order at the net price you want
- TMCs ranked and transacted according to price/time priority.
- The TMC may be partially traded, with a minimum quantity of 1
- TMCs are constructed within ASX Trade (ASX's equity trading engine) meaning zero network latency between execution of legs
- Derived Orders may be created to facilitate trading against individual orders for each leg.

## What are Derived Orders?

Derived orders are orders generated by the system rather than being entered by you.

When a TMC is entered, the central system will try to match that order with any existing orders for that combination and also against the individual legs.

If the combination could theoretically trade against market orders in all but one of the legs, the system will then calculate the order needed to trade for the remaining leg. This order will be placed into the market as a derived order. If this new derived order is traded, the system will simultaneously, and with no legging risk, trade against the orders in all other legs, satisfying the TMC as a whole.

## How do I Enter a TMC order?

Your broker can enter a Tailor Made Combination order on your behalf. Alternatively TMCs can be entered through Direct Market Access systems like IRESS.

Please refer to your DMA systems provider for instruction on how to enter TMCs

# Tailor Made Combinations Fact Sheet

## Derivative Combinations

ASX Trade caters for a wide range of derivative combinations through its TMC functionality.

The general rules for derivative combinations are:

TYPE	RULES
Derivative Only	<ul style="list-style-type: none"> <li>• Maximum 4 legs</li> <li>• Maximum 4:1 ratio</li> </ul>
Cash & Derivative	<ul style="list-style-type: none"> <li>• Maximum 1 leg Equity</li> <li>• Maximum 3 legs Derivative</li> <li>• Maximum 4:1 ratio</li> </ul>

### Example

The following example shows a TMC for a collar in S&P/ASX200 index options (XJO).

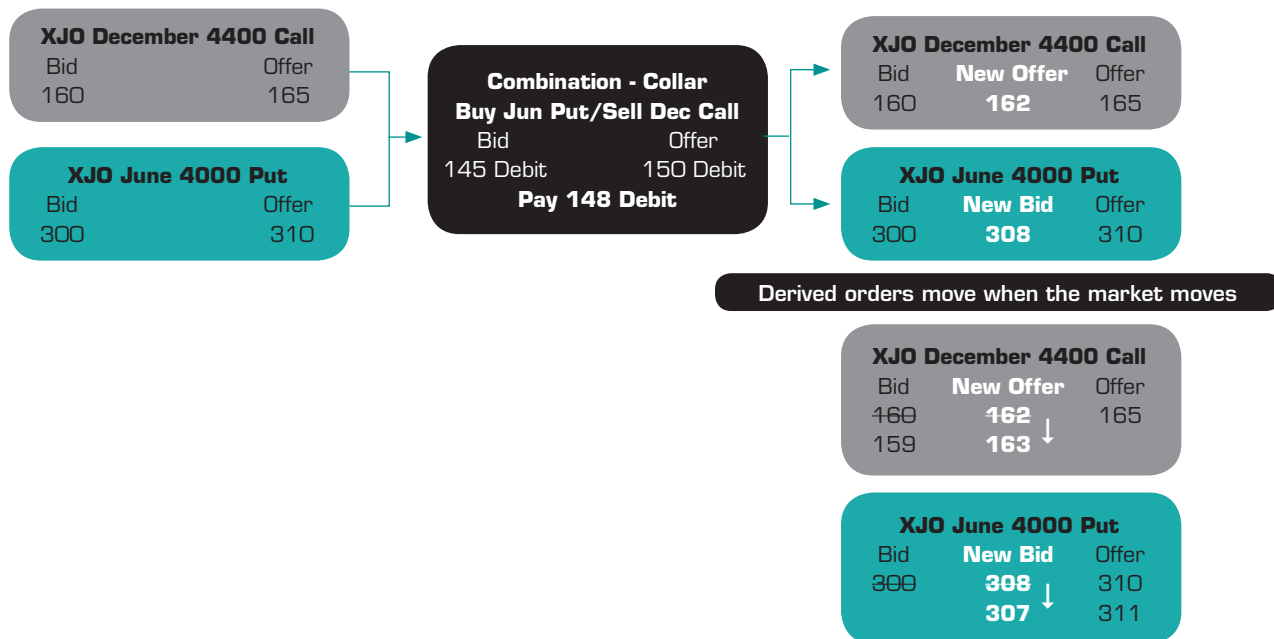
You are looking to:

- buy June 4000 puts, and
- sell December 4400 calls
- pay a net debit of \$1.48 per contract.

The Dec 4400 calls have a bid of 160 so a derived order for the Jun 4000 put is created. The TMC automatically places a derived bid in the Jun 4000 put at 308. If your Jun 4000 put is traded against, ASX Trade will then sell the Dec 4400 calls at 160 with no legging risk. Your TMC is completed for a net a debit of 148 as intended.

The opposite occurs if there is a Jun 4000 put offer at 310. In this case a derived offer is placed in the Dec 4400 calls at 162 to ensure the TMC is completed for a net debit of 148.

If the market moves for either the puts or the calls, then the derived orders will automatically adjust. For example if the offer in the Jun 4000 puts moves up from 310 to 311, the corresponding derived offer in the Dec 4400 calls will also move up a point to 163 automatically.



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