

# ETO Market Maker Scheme

November 2019

## 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

**Monthly Contracts:** A market maker is required to provide continuous orders in forty-eight series encompassing eight calls and eight puts for the top 20 ETO Classes in three of the next six expiration months. A market maker is required to provide continuous orders in twenty-four series encompassing four calls and four puts for the ETO Classes outside the top 20 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.

**Weekly Contracts:** A market maker is required to provide continuous orders in sixteen series encompassing four calls and four puts in at least two weekly expiries. 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 is listed whereby MMs have been contracted to meet obligations has been allocated a minimum number of contracts to quote designated by ASX. The number of contracts set by ASX takes into account the underlying security's liquidity and volatility whilst also considering the historic trading volumes of options for that given security. ASX will at times also consult with participants (generally Market Makers) in determining the appropriate level to be set.

## 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.

## ETO Classes

QUOTING SCHEDULE, MIN MM QUOTE SIZE AND MARKET MAKER COVERAGE (AS AT 18 NOVEMBER 2019)

ETO Class	Quote Schedule	Min MM Quote Size	Susquehanna	Citadel	Eclipse	UBS	Mako	Liquid Capital	Vivienne Court	J.P. Morgan	IMC	Tibra
A2M	2	100	x		x							
AGL	3	100	x	x	x	x	x					
ALU	3	50	x		x							
AMC	2	200	x	x	x	x	x					
AMP*	1	750	x	x	x	x			x			
ANN	3	50	x									
ANZ*	3	250	x w	x w	x w	x	x w	x	x			
APT	3	50	x		x							
ASX	5	50	x	x	x	x	x					
AWC*	1	1000	x	x	x	x	x	x				
AZJ	2	300	x	x	x	x						
BEN	2	50	x	x		x						
BHP*	4	200	x w	x w	x w	x	x w	x	x			
BLD	2	250	x	x	x	x	x					
BOQ	2	400	x			x	x					
BSL	2	300	x	x	x		x	x				
BXB	2	200	x	x	x	x	x		x			
CBA*	5	100	x w	x w	x w	x	x w	x	x			
CCL	2	150	x	x	x	x						
CIM	4	100	x									
COL	2	100	x		x	x	x					
CPU	2	150	x	x		x						
CSL*	5	50	x	x	x	x	x	x	x			
CSR	1	1000	x				x					
CTX	3	50	x	x	x		x					
CWN	2	50	x	x	x							
CYB	1	400	x		x							
FLT	4	100	x				x					
FMG*	2	400	x w	x w	x w		x w	x	x			
GMG	2	500	x			x						
GPT	2	300	x			x						
HVN	1	500	x	x		x	x					
IAG	2	500	x	x	x	x						
IFL	2	200	x									
ILU	2	100	x	x	x							
IPL	1	1000	x	x	x	x	x					
JHX	2	300	x			x	x					
LLC	2	150	x	x	x	x	x					
MGR	1	1000	x			x						
MPL	1	100	x	x	x	x						
MQG*	5	50	x	x	x		x	x	x			
MTS	1	1000	x									
NAB*	3	200	x w	x w	x w	x	x w	x	x			
NCM*	3	100	x w	x w	x	x	x w	x	x			
NEC	1	1000	x		x		x					
ORG*	2	100	x	x	x	x	x	x				
ORI	3	50	x	x		x	x					
OSH	2	150	x	x	x	x	x	x	x			
OZL	2	250	x	x	x	x	x					
QAN	2	1000	x	x	x	x			x			
QBE*	2	100	x	x	x	x	x	x	x			
RHC	4	50	x		x							
RIO*	5	50	x w	x w	x w	x	x w	x	x			
RRL	1	500	x				x					

\*Top 20 ETO Class X = Monthly Contract W = Weekly Contract

## ETO Classes Continued

QUOTING SCHEDULE, MIN MM QUOTE SIZE AND MARKET MAKER COVERAGE (AS AT 18 NOVEMBER 2019)

ETO Class	Quote Schedule	Min MM Quote Size	Susquehanna	Citadel	Eclipse	UBS	Mako	Liquid Capital	Vivienne Court	J.P. Morgan	IMC	Tibra
S32*	1	300	x	x	x	x	x	x	x			
SCG	1	400	x	x	x	x						
SEK	3	200	x									
SGM	2	500	x									
SGP	1	400	x	x	x	x						
SGR	1	500	x									
SHL	3	250	x				x					
STO*	2	100	x w	x w	x	x	x w	x	x			
STW+	4	100	x									
SUN	2	200	x	x	x	x	x					
SYD	2	200	x	x	x	x						
TAH	1	500	x			x	x					
TCL	2	300	x	x	x	x	x					
TLS*	1	1000	x w	x w	x w	x	x w	x	x			
TWE	2	500	x									
WBC*	3	150	x w	x w	x w	x	x w	x	x			
WES*	3	50	x	x	x	x	x	x	x			
WOR	2	200	x									
WOW*	3	50	x	x	x	x	x	x	x			
WPL*	3	50	x	x	x	x	x	x	x			
WTC	3	50	x		x							
XJO	6	30	x w	x w	x w	x	x w	x		x w	x w	x w

\*Top 20 ETO Class    +Option over ETF    X = Monthly Contract    W = Weekly Contract

## 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 to 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 to 999.5 cents	80
1000 to 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 to 999.5 cents	85
1000 to 1499.5 cents	100
1500 to 1999.5 cents	150
2000 to 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 to 999.5 cents	90
1001 to 1499.5 cents	110
1500 to 1999.5 cents	160
2000 to 5999.5 cents	320
≥ 6000 cents	400

## SCHEDULE 6 (INDEX)

Premium range (Bid based)	Maximum Spread (cents)
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 249 pts	22
250 to 499 pts	35
500 to 749 pts	50
750 to 999 pts	65
≥ 1000 pts	80

## Further information

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