

Options Listing Guidelines

For ASX equity derivative markets

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

INTRODUCTION

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

This booklet is designed to assist market participants to:

- Formulate proposals for the possible listing of new option classes;
- Understand the requirements for listing Flex options; and
- Identify factors considered when delisting option classes.

ASX Business Rule 7.4.1 outlines the requirements for the approval of Underlying Securities by the Exchange. Under that rule, the Exchange may approve:

- (a) Securities as Underlying Securities if they meet the criteria set out in Rule 7.4.1.2; and
- (b) the All Ordinaries Index or an index prescribed for the purposes of the definition of “option contract” in section 9 of the Corporations Act as at 8 March 2002 as an Underlying Index.

ASX Business Rule 7.4.1.2 states the basic criteria for approval for underlying securities:

For securities to be eligible for approval by the Exchange as Underlying Securities:

- (a) the Securities must be quoted on the Exchange at the time Series of Options over those Securities are first opened for trading; and*
- (b) a substantial number of the Securities must be, or, in the opinion of the Exchange will be, widely held and actively traded in the Underlying Market.*

This booklet outlines the guidelines established by the Exchange for the purposes of Business Rule 7.4.1.2. The guidelines are subject to any periodical change that the Exchange considers appropriate.

OPTIONS 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 in a company listed on ASX¹.
- (b) American style exercise.
- (c) Call and Put categories.
- (d) A range of exercise prices available.
- (e) Terms of up to twelve months typically.
- (f) A quantity of 1,000 securities per contracts, subject to adjustment in accordance with the Business Rules.

While 1,000 is the standard contract size, the Exchange may, under ASX Business Rule 7.4.2.2., open new series in an existing or new class with a different contract size.

Index options have a standard multiplier of \$10 and are European style exercise.

Standard ETOs carry Market Maker obligations.

The Exchange requires at least one market making firm with either continuous quoting or quote request obligations in a new class before approving it for listing.

A class that does not have any market maker supporting it may be listed as a FLEX class instead.

Listing Guidelines for Standard Exchange Traded Options

The Exchange applies the following guidelines for determining eligible Underlying Securities for Standard ETOs:

1. The underlying securities must have an issued capital of at least \$200 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 it 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 maximum holding of the top 20 shareholders in the underlying securities must not exceed 80% of the total shareholding at the time of consideration; and
4. the underlying securities price must be at least \$1.00 at the time of consideration.

¹ The Exchange may also list other forms of underlying securities such as units, stapled securities, CHESS Depository Interests (CDIs) of foreign companies, ETFs or partly paid securities such as instalment receipts. CHESS approved securities are generally required.

In addition to the quantitative guidelines, the Exchange will, in special circumstances, have regard to other specific factors (without limitation) such as potential market demand when considering underlying securities that are under the minimum price threshold.

First Day Listings

The Exchange 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 listed for quotation on ASX. In making its determination to list on the first day of trading, the Exchange will consider the likely market capitalisation, expected share price, likely turnover and anticipated spread of holders after the Underlying Security is listed.

Listing Guidelines for FLEX Options

Flexible or “FLEX” options are options contracts traded on the Options Market operated by ASX but with the exercise style, exercise price, expiry month, and the Underlying Security, requested by the party seeking to have the series of options listed.

It should be noted that the eligibility criteria for a new FLEX class option is the same as the eligibility criteria for a standard exchange traded option.

Longer dated option series exceeding 12 months are commonly listed as FLEX options if they result from market participants’ requests. FLEX options may be listed out to 5 years and more.

FLEX options have the following features:

- (a) Must cover the standard contract size of 1000 Securities of Underlying Security or the currently adjusted number of Securities per Series in that expiry month.
- (b) Can be American or European style exercise.
- (c) Can be Call or Put (if a particular FLEX is approved, both will become available).
- (d) Can be any particular exercise price if that is not currently available for trading. It does not have to follow the standard exercise step intervals for the exercise price range. With European style exercise FLEX series listing requests, the Exchange will require that odd strikes be listed only, just in case an American style exercise series is listed further down the track.
- (e) Can be any particular expiry month and does not have to follow the quarterly expiry cycle of the class.
- (f) Can be any term from overnight onward.

FLEX Options do not carry Market Maker obligations.

The Exchange does not require any market maker in a new FLEX class before approving it for listing

Auto Exercise Function

Clearing Participants are advised that the auto-exercise function in DCS does activate on non-standard expiry dates.

Pricing of Longer Dated FLEX Series

Trading and Clearing Participants should be aware that OCH 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 very long dated series.

Listing Guidelines for FLEX Options over Indices

The Exchange may also list Flexible or “FLEX” options over any approved indices² represented on the ASX Options Market.

FLEX index options have the following features that are different from FLEX share options:

1. European style only
2. FLEX index options will only have standard expiry dates and only financial quarter month expiries.

LEPOs

LEPOs are low exercise price options listed on the ASX Options market. The Exchange applies the same criteria for listing of standard exchange traded options to the listing of LEPOs³.

Delisting Guidelines

The Exchange will consider delisting options over any Underlying Security that fails to meet the current listing guidelines, or for some other reason the Exchange considers delisting appropriate.

Delisting will be effected in one of the following ways:

1. If there are no open positions, the Exchange may consider immediate delisting of options.
2. No further series will be added and delisting of options over the Underlying Security will occur when all open positions have expired. The Exchange may restrict the opening of new positions in that class of options.

If an existing class of options is liquid and clearly a successful product but fails to meet a current listing guideline in particular, the Exchange will generally maintain the listing of that class.

² It should be noted that underlying indices for index options are approved by the Exchange under Business Rule 7.4.1.1(b): *the All Ordinaries Index or an index prescribed for the purposes of the definition of “option contract” in section 9 of the Corporations Act as at 8 March 2002 as an Underlying Index.*

³ From 23 July 2001, the Business Rule for LEPO eligibility criteria was amended to be consistent with exchange-traded stock options. This was published under Notice to Derivatives Trading & Clearing Participants No 088 dated 24 July 2001

Further Information

For further details on any of the information in this booklet or to request the listing of a new options class please contact Peter Ho, Manager, Market Analysis on 9227 0668 or peter.ho@asx.com.au.

Disclaimer

ASX has published these Guidelines to promote commercial certainty and to assist Participants. Nothing in these Guidelines necessarily binds ASX in the application of the Business Rules in a particular case. In issuing this booklet ASX is not providing legal advice and market participants should obtain their own 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 last issued Guidelines will prevail. Readers should contact ASX to ensure they have the latest version. To the extent there are any inconsistencies between these Guidelines and the Business Rules, the Business Rules prevail. Each listing will be considered on a case by case basis. The Exchange will have reference to these Guidelines in the exercise of its discretion. The Exchange may, however, deviate from these Guidelines in whole or in part if the Exchange is of the opinion that special circumstances justify such departure.