

Outline for Three-month Euroyen futures option contract

Jul. 2017

TFX

Items	Description	Remarks
I . Trading		
1 . Definition	<ul style="list-style-type: none"> • A “Three-month Euroyen futures option contract” means a market derivatives contract wherein one party agrees to grant the other party an option on Three-month Euroyen futures and the other party agrees to pay the consideration therefore. 	
2 . Object of trading	<ul style="list-style-type: none"> • The object of Three-month Euroyen futures option contracts traded on the Exchange Market are (1) an option on Three-month Euroyen futures to enable their grantee thereof to execute one trading unit of a sale contract for the underlying futures contract with its traded figure equal to the exercise price (hereinafter called a “put option on Three-month Euroyen futures”), and (2) an option on Three-month Euroyen futures to enable their grantee thereof to execute one trading unit of a purchase contract for the underlying futures contract with its traded figure equal to the exercise price (hereinafter called a “call option on Three-month Euroyen futures”). 	<ul style="list-style-type: none"> • Underlying futures contract means a Three-month Euroyen futures contract with a specified contract month to be extended as a result of an option exercise.
3 . Contract month		
(1) Listed Contract Month	<ul style="list-style-type: none"> • 5 contract months, the last trading days of which shall correspond to those of their respective underlying futures contracts. 	<ul style="list-style-type: none"> • The last trading days of their respective underlying futures contracts are the trading days, the day session of which occurs on the second business day (not counting Japanese bank holidays) immediately preceding the third Wednesday of March, June, September or December.
(2) Period	<ul style="list-style-type: none"> • The trading period for each contract month shall be 15 months. 	

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(3) First Trading day	<ul style="list-style-type: none"> The first trading day for a Three-month Euroyen futures option contract with a newly listed contract month shall be the trading day immediately following the last trading day for the then first expiring contract month, and such new contract month shall become available for trading from the opening of its first trading day's day session. 	
4 . Setting Exercise Price		
(1) Setting new exercise prices	<ul style="list-style-type: none"> On the business day on which the day session of the first trading day for each contract month falls, the Exchange shall calculate a specific figure for each contract month, based on the Official Closing Price for the concerned contract month of the underlying futures contract calculated on the previous business day, set the next 6 upper figures above the option criterion price and the next 6 lower figures below the option criterion price at intervals of 0.125 respectively, resulting in total 13 figures. 	<ul style="list-style-type: none"> The Official Closing Price is a price that the Exchange shall calculate and inform after the close of the evening session of each business day.
(2) Setting additional exercise prices	<ul style="list-style-type: none"> The Exchange shall calculate each business day's option criterion price for each contract month, based on the said business day's listing basis figure for the respective contract month, in accordance with the conditions described (1) above, resulting in total 13 figures. If these 13 figures include any figure that has not yet been listed, such figure shall be additionally listed as the exercise price. 	<ul style="list-style-type: none"> In principle, exercise price shall not be abolished. The Exchange may additionally list new exercise prices when the Exchange deems necessary to do so.
5 . Matching Algorithm	<ul style="list-style-type: none"> The matching of the trades is based on the auction method. 	<ul style="list-style-type: none"> The auction method means the trade shall be executed on an individual auction basis.

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<p>1 . Payments and receipts of option premiums between Trading Member and Exchange</p> <p>2 . Payments and receipts of option premiums between Trading Member and Customer</p>	<ul style="list-style-type: none"> • The amount which each Clearing Member shall pay to or receive from the Exchange shall be the net difference between the respective aggregate amounts which such Clearing Member is to pay and those which it is to receive as the option premiums which are payable or receivable with respect to such Clearing Member. • While Each Clearing Member who is liable to pay the said amount shall pay it by 11 : 00 a.m. on the business day immediately following the business day on which there occurs the day session of the trading day on which the sale or purchase contract is executed, each Clearing Member who has right to receive the said amount shall receive it after 2 : 00 p.m. on the business day immediately following the business day on which there occurs the day session of the trading day on which the sale or purchase contract is executed. • The provision of the payment of option premium between Clearing Member and Exchange above shall apply mutatis mutandis with respect to the payment of option premiums between a Non-Clearing Member and its Designated Clearing Member. • When a purchase contract is executed based on Customer's order, the Customer shall pay the option premium therefore to the concerned Trading Member by the time and date designated by the Trading Member, which date shall be on or before the second business day following the business day on which there occurs the day session of the trading day on which the offsetting transaction is effected. • When a sale contract is executed based on a Customer's order, the concerned Trading Member shall pay the option premium therefore to the Customer in the manner prescribed by the Trading Member. 	<ul style="list-style-type: none"> • Option premium is the consideration for the acquisition of an option on Three-month Euroyen futures.
<p>IV . Open Interest and Settlement</p> <p>1 . Open Interest</p>	<ul style="list-style-type: none"> • Unsettled positions by the execution of orders are recognized as open interest. 	

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<p>2 . Offset Trades</p>	<ul style="list-style-type: none"> • When a Trading Member makes a purchase contract (hereinafter called “Repurchase”) in order to close out a short position or makes a sale contract (hereinafter called “Resale”) in order to close out a long position, that Member is to notify TFX of the classification of Resale or Repurchase and its volume by 5:00p.m. (by 2:45p.m.with respect to any contract month on its last trading day) on the business day on which there occurs the day session of the trading day on which the buy in or sell out order is executed. TFX will reduce the notified quantity from the Member’s open interest (in the case of a Non-Clearing Member, the open interest of its designated Clearing Member) for settlement. 	<ul style="list-style-type: none"> • There are 2 way to notify offset trades: <ul style="list-style-type: none"> (1) Individual notification (make separate notifications for each trade) (2) Bulk notification (make collective notifications by contract month and proprietary/customer account)
<p>V. Exercise</p> <p>1 . Option Exercise Period</p> <p>2 . Notification of Option Exercise</p> <p>3 . Automatic Option Exercise</p>	<ul style="list-style-type: none"> • On any business day which falls during the period from and including the business day on which the day session of the first trading day of each contract month occurs to and including the business day on which the day session of the last trading day of the same contract month occurs. • In order to exercise options on Three-month Euroyen futures, Trading Member shall notify the Exchange until 5:00 p.m. of the option exercise date. (2:45 p.m. with respect to any series of option on the last day of its option exercise period) • In order to exercise options on Three-month Euroyen futures, customer shall notify the Exchange until 4:30 p.m. of the option exercise date. (2:30 p.m. with respect to any series of option on the last day of its option exercise period) • A Trading member shall be deemed to have notified the Exchange of exercising option on Three-month Euroyen futures of which is In The Money even when such member did not notify the Exchange of exercising such option expiration date, except where the member notifies the Exchange of not exercising such option by 2:45 p.m. • The Customer shall be deemed to have notified the Trading Member of exercising option on Three-month Euroyen futures of which is In The Money even when such customer did not notify the Trading Member of exercising such option expiration date, except where the customer notifies the Trading member of not exercising such option be 2:30 p.m. 	<ul style="list-style-type: none"> • Exercise style :American Type

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4 . Assignment	<ul style="list-style-type: none"> • Upon making an assignment, the Exchange shall select the short positions and notify the relevant member of the details of such assignment without delay, specifying whether the assignment is for its own account or for the accounts other than the Trading member’s house account. • If a reassignment is made to its Customers in accordance, the Trading Member shall immediately notify such Customers of the detail of such reassignment relevant to the reassignment. 	<p>The manner of reassignment shall be any one of the following methods.</p> <ol style="list-style-type: none"> (1) Assignment in the order of execution of the Three-month Euroyen futures option contract. (2) Assignment in a random drawing. (3) Assignment pro rata in accordance with the Customer’s volume of positions. (4) Assignment in any other equitable manner without arbitrariness.
5 . Decrease in Position resulting from Option Exercise (1) Decrease in Position resulting from Option Exercise by Trading Member (2) Decrease in Position resulting from Assignment	<ul style="list-style-type: none"> • When a Trading Member notifies the Exchange of the exercise of options on any business day, the Exchange shall decrease the long positions held by such Clearing Member at 5:00 p.m. (or shall be 2:45 p.m. in the case of the last day of the option exercise period) • When the Exchange makes assignment to a Clearing Member, the Exchange shall decrease the short positions held by such Clearing Member at 5:00 p.m. (or shall be 2:45 p.m. in the case of the last day of the option exercise period) 	
6 . Three-month Euroyen Futures Contracts resulting from Option Exercise and Assignment		

Items	Description	Remarks
<p>(1) Exercise of a put option</p> <p>(2) Exercise of a call option</p>	<p>• In the event that a Clearing Member notifies the Exchange of the exercise of a put option on Three-month Euroyen futures, the Clearing Member shall be deemed to have executed with the Exchange a sale contract of the underlying futures or the Assigned Clearing Member shall be deemed to have executed with the Exchange a purchase contract of the underlying futures, with the contract figure equal to the relevant strike price, as at 5:00 p.m.(or shall be 2:45 p.m. in the case of the last day of the option exercise period)</p> <p>• In the event that a Clearing Member notifies the Exchange of the exercise of a call option on Three-month Euroyen futures, the Clearing Member shall be deemed to have executed with the Exchange a purchase contract of the underlying futures or the Assigned Clearing Member shall be deemed to have executed with the Exchange a sale contract of the underlying futures, with the contract figure equal to the relevant strike price, as at 5:00 p.m.(or shall be 2:45 p.m. in the case of the last day of the option exercise period)</p>	
<p>VI. Per-contract Exchange Fee</p>	<p>• Per-contract Exchange Fee is 50 yen in principle.</p>	<p>• Consumption tax, etc. is charged in addition.</p>
<p>VII. Brokerage Commission</p>	<p>• The amount and method of payment of brokerage commission from customer to Trading Member due to trade brokerage is to be executed according to what has decided beforehand between corresponding the Trading Member and the corresponding customer.</p>	
<p>VIII. Others</p> <p>1. Block Trades</p>	<p>• Trading Members who want to execute a block trade shall make an application to TFX during trading hours excluding the 15 minutes prior to close of the day session ,close of the evening session and between 11:30-12:30.</p> <p>• Minimum volume for an application of a block trade is 100 contracts.</p>	<p>• Block trades are, with prior application to TFX, having buy and sell orders of the same contract month simultaneously executed outside competitive auction.</p>

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2. Give-up Trades	<ul style="list-style-type: none"> • Give-up trades are available for Three-month Euroyen futures option contract. 	<ul style="list-style-type: none"> • Give-up trades are having a Trading Member other than the Executing Member (Member who executed the trade) clear the same traders. • Take-up is means that Trading Member undertake clearing of Euroyen futures.

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