

TAIFEX FTSE® 100 Index Futures

Introduction

According to the International Monetary Federation statistics, the United Kingdom is the sixth largest economy in the world in terms of GDP in 2019. Its stock market is one of the major financial markets in the world. The FTSE® 100 Index, comprising the 100 most highly capitalized blue-chip companies listed on London Stock Exchange (LSE), represents the UK securities market and is widely used as the indicator of UK economy.

The fairly high volatility of the FTSE® 100 Index generates ample demands for trading and hedging, especially amid the Brexit and COVID-19. Its financial sector plays a vital role in the FTSE® 100 Index while the technology sector only represents a trivial weight, which distinguishes the FTSE® 100 Index from the other underlying indices of TAIFEX' existing products and enable TAIFEX to further expand its product line into the European market.

To provide traders with opportunities to directly participate in the UK stock market without exposure to FX risks and to inject the new momentum to the domestic equity derivatives market as well as to further fulfill the traders' needs for portfolio diversification, TAIFEX plans to launch FTSE® 100 Index Futures to enhance the competitiveness of Taiwan's futures market.

Product Features

☑ Tapping into the UK equity market

The FTSE® 100 Index, debuting in 1984, represents the performance of top 100 leading companies in LSE and embraces the IOSCO Principles to keep the benchmark on the proper use. As a leading stock index in the global community, the FTSE® 100 Index provides traders with opportunities to participate in the UK securities market.

☑ Lower entry barrier and trading hours covering the US and the UK equity markets facilitate greater participation

TAIFEX FTSE® 100 Index Futures are designed with a small contract size, roughly TWD 0.3 million. Compared with the FTSE® 100 Futures of ICE Futures Europe and CME with a contract size of about TWD 2.2 million, TAIFEX FTSE® 100 Index Futures feature greater leverage and lower trading costs, enabling traders to hedge and trade during the US and the UK trading hours with higher capital efficiency.

☑ Accessible through domestic futures accounts without FX risk exposure

Traders can use their existing accounts with Taiwanese FCMs to trade this product with ease. In

addition, TAIFEX FTSE® 100 Index Futures are denominated, margined and marked to market in TWD, allowing traders to participate in the UK equity market without bearing FX risk.

The Products

Q1 : What is the underlying of TAIFEX FTSE® 100 Index Futures?

The FTSE® 100 Index, belonging to FTSE® UK Series, is launched on January 3rd, 1984, with the base value at 1,000 on December 30th, 1983. The FTSE® 100 Index comprises the 100 most highly capitalized blue-chip companies listed on LSE. Its constituents include global well-known enterprises such as Barclays, BHP Group, BP, Burberry, HSBC Holdings, InterContinental Hotels Group, Prudential, Rio Tinto, Rolls-Royce Holdings, Royal Dutch Shell, Standard Chartered, Unilever, etc.

Q2 : What are the trading hours of TAIFEX FTSE® 100 Index Futures?

The trading hours for TAIFEX FTSE® 100 Index Futures are as follows:

- Trading days conform to regular exchange trading days
- Regular trading session: from 8:45 am to 1:45 pm.
- After-hours trading session: from 3 pm to 5 am of the following day. The expiring contract on the last trading day trades until 6:15 pm. In the event during British Summer Time, trading in the expiring contract shall end at 5:15 pm.

Q3 : What are the last trading day and the final settlement price of TAIFEX FTSE® 100

Index Futures? When will the Expiry Value of the FTSE® 100 Index be determined?

The last trading day is the third Friday of the delivery month of TAIFEX FTSE® 100 Index Futures (“the Contracts”). Trading of the Contracts at expiry shall cease at the close of the after-hours trading session on the last trading day. The Contract of new delivery month shall commence trading from the regular trading session of the next business day following the last trading day of an expiring contract. The next business day following the last trading day of the Contracts is the final settlement day for a Contract at expiry.

The final settlement price of the Contracts is set on the basis of the Expiry Value for the FTSE® 100 Index calculated by FTSE on the last trading day. The Expiry Value is usually determined between 6:15 pm and 6:29 pm (5:15 pm and 5:29 pm during British Summer Time). The expiring contract on the last trading day trades until 6:15 pm (or 5:15 pm), the earliest start time to determine Expiry Value.

Q4 : Will the last trading day of TAIFEX FTSE® 100 Index Futures be rescheduled to another day due to non-business days or force majeure events?

The last trading day is the third Friday of the delivery month of TAIFEX FTSE® 100 Index Futures. If the third Friday of the delivery month is not a scheduled business day of the underlying cash market, the last trading day shall be changed to the preceding business day of the underlying cash market. If the last trading day falls on a non-business day of the TAIFEX or if trading cannot

proceed on that day due to a force majeure event or other factors, there shall be no adjustment to the last trading day.

Q5 : What are the contract value and the minimum price fluctuation of TAIFEX FTSE® 100

Index Futures?

The multiplier of TAIFEX FTSE® 100 Index Futures is TWD 50. For example, at the index level of 6,170, the contract value of TAIFEX FTSE® 100 Index Futures is TWD 308,500, which makes this product a relatively small-sized contract. The minimum price fluctuation is 1 index point (TWD 50).

Q6 : What are the daily price limits of TAIFEX FTSE® 100 Index Futures?

The 3-Level Price Limits of TAIFEX FTSE® 100 Index Futures are at $\pm 7\%$, $\pm 13\%$ and $\pm 20\%$ of the daily settlement price of the preceding regular trading session.

Q7 : What are the delivery months of TAIFEX FTSE® 100 Index Futures?

The delivery months are the four consecutive quarterly months of March, June, September, and December, listed and traded concurrently.

Q8 : How is transaction tax calculated for TAIFEX FTSE® 100 Index Futures?

Trading of TAIFEX FTSE® 100 Index Futures is subject to the futures transaction tax at the rate of 0.002% levied on the market value of contracts traded.

Q9 : Where to obtain information for the FTSE® 100 Index?

Traders can access the market information via the official websites of FTSE Russell (<https://www.ftserussell.com/>) and other market data providers, such as Bloomberg (symbol: UKX<INDEX>) and Reuters (symbol: .FTSE).

Trading

Q1: How do orders of FTSE® 100 Index Futures before market open and information disclosure work?

- Pre-market orders are accepted from 8:30 a.m. for the regular trading session, and from 2:50 p.m. for the after-hours trading session. The system discloses the total number of bid/ask orders, the cumulative quantity of bid/ask orders, the calculated opening prices and volume, the best 5 bid/ask prices and corresponding volumes of simulated matching every 5 seconds for each contract until market open.
- 2 minutes prior to opening of each trading session, orders can only be entered, but not deleted or modified.

Q2: How to calculate protection points of Market with Protection(MWP) Orders for FTSE®

100 Index Futures?

The MWP Order protection points for FTSE® 100 Index Futures for outright orders are $\pm 0.5\%$, and for spread orders are $\pm 0.25\%$, of the previous regular session's daily settlement price for the spot month contract.

Q3: What is the position limits for FTSE® 100 Index Futures ?

The position limit thresholds for FTSE® 100 Index Futures are 1,000 lots for Individual, 3,000 lots for Institution and 9,000 lots for Proprietary Trader/Market Maker.

Q4: Is FTSE® 100 Index Futures applicable for block trades?

Yes, FTSE® 100 Index Futures is applicable for block trades and the minimum block trade thresholds for FTSE® 100 Index Futures are 200 lots.

Q5: Is FTSE® 100 Index Futures applicable for Dynamic Price Banding Mechanism?

Yes, FTSE® 100 Index Futures is applicable for Dynamic Price Banding Mechanism. The rejection threshold is 2% for outright orders and 1% for spread orders.

Clearing

Q1: What currency shall trader deposit for required margin of FTSE® 100 Index

Futures(F1F)? What's method for calculating required margin?

FTSE® 100 Index Futures(F1F) is NTD-denominated. Regarding the required margin, the domestic traders who participate in F1F trading shall deposit NT Dollars; the offshore foreign traders shall pay in 7 foreign currencies announced by TAIFEX.

A futures commission merchant shall stipulate with the trader that the margin shall be collected in accordance with the standards prescribed by the TAIFEX or the standards as prescribed under the SPAN margin calculation method. A trader who wishes to participate in SPAN margining shall meet the requirements of Chinese National Futures Association Self-Regulatory Rules for Adoption by Customers of SPAN Methodology for Calculating Margins and enter into an agreement with a futures commission merchant.

Q2: Are FTSE® 100 Index Futures(F1F) applicable to spread trading?

FTSE® 100 Index Futures (F1F) is applicable to spread trading with identical product (with different expiry dates).

Buying one F1F and selling one F1F or selling one F1F and buying one F1F with different expiry dates, traders should deposit margin of one F1F position.

Q3: How to calculate the final settlement price of FTSE® 100 Index Futures(F1F)?

The final settlement price of FTSE® 100 Index Futures(F1F) is set on the basis of the Expiry

Value for the FTSE® 100 Index as calculated by FTSE on the last trading day.

Q4: What are the business hours of clearing and settlement for FTSE® 100 Index Futures (F1F)? How is clearing and settlement processed?

The final settlement day of FTSE® 100 Index Futures(F1F) is the next business day following the last trading day of F1F.

TAIFEX will announce the final settlement price of F1F at approximately 9:30am on the final settlement day. After the announcement, TAIFEX will proceed with clearing and settlement of F1F.

F1F shall be settled in cash with the trader delivering or receiving the net amount of the price differential based on the final settlement price on the final settlement day. Each contract value of the expiry position equals the final settlement price of the contract multiplied the value of each point of the index, with amounts of less than NT\$1.00 unconditionally rounded down.

Q5: What is the time frame of positions handling submission for the expiring FTSE® 100 Index Futures(F1F)?

The time frame of positions handling submission for the expiring FTSE® 100 Index Futures(F1F) are as follows:

- On the last trading day: from 7am to 2:30pm.
- On the final settlement day: from 7am to 9:30am.

Q6: What should a futures commission merchant and traders be aware of when a futures commission merchant accepts trading orders for FTSE® 100 Index Futures(F1F)?

FTSE® 100 Index Futures(F1F) is eligible to trade in the after-hour trading session and is applied to the product not exempted from liquidation on behalf of a principal in the after-hour. A futures commission merchant shall remind traders to be aware of the risk management principles both in regular trading session and after-hour trading session. Moreover, a futures commission merchant shall provide “key point checklists of participating in after-hour trading session” for traders to read carefully and sign.

Traders those who don't sign the above key point checklists shall not trade product not exempted.

TAIFEX FTSE[®] 100 Index Futures Contract Specifications

Item	Description
Underlying Index	FTSE [®] 100 Index
Ticker Symbol	F1F
Trading Hours (Taipei Time)	<ul style="list-style-type: none"> • Trading days conform to regular exchange trading days • Regular Session: 8:45~13:45 • After-hours Session: 15:00~5:00. The expiring contract on the last trading day trades until 18:15. In the event during British Summer Time, trading in the expiring contract shall end at 17:15.
Contract Size	TWD 50 x TAIFEX FTSE [®] 100 Futures Price
Minimum Price Fluctuation	1 index point (TWD 50)
Delivery Months	Four months in the March Quarterly Cycle (Mar, Jun, Sep, Dec)
Daily Settlement Price	The daily settlement price is the volume weighted average price, which is calculated by dividing the value of trades by the volume within the last one minute, or as otherwise determined by TAIFEX according to the Trading Rules.
Daily Price Limit	3-Level Price Limits at $\pm 7\%$, $\pm 13\%$ and $\pm 20\%$ of the daily settlement price of the preceding regular trading session
Last Trading Day	The third Friday of the contract expiration month (If the third Friday is not a scheduled business day of the underlying cash market, the last trading day shall be the preceding business day of the underlying cash market)
Final Settlement Day	The first business day following the last trading day
Final Settlement Price	The Expiry Value of the FTSE [®] 100 Index on the last trading day
Settlement	Cash settlement
Position Limit	<ul style="list-style-type: none"> • Any investor's aggregate open same-side positions in the Contract for various delivery months at any time shall not exceed the limit standards announced by TAIFEX. • Institutional investors may apply for an exemption from the above limit on trading accounts for hedging purposes. • These position limits are not applicable to omnibus accounts, with the exception of undisclosed omnibus accounts which are subject to the limits for institutional investors.
Margin	<ul style="list-style-type: none"> • The trading margin and the maintenance margin may not be lower than the publicly announced TAIFEX standard for the initial margin and the maintenance margin. • The initial margin and maintenance margin announced by the TAIFEX shall be based on the clearing margin calculated according to the Taiwan Futures Exchange Corporation Methods and Standards for Receipt of Clearing Margins plus a percentage prescribed by the TAIFEX.

If any of the following circumstances occurs on the last trading day, the last trading day shall be adjusted accordingly as follows:

1. If the third Friday of the delivery month is not a scheduled business day of the underlying cash market, the last trading day shall be changed to the preceding business day of the underlying cash market.
2. If the last trading day falls on a non-business day of the TAIFEX or if trading cannot proceed on that day due to a force majeure event or other factors, there shall be no adjustment to the last trading day, provided that the TAIFEX may adjust that date in view of market circumstances.
(Please refer to Trading Rules.)

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