

## **Taiwan Futures Exchange Corporation Trading Rules for FTSE® 100 Index Futures Contracts**

### Article 1

These Rules are adopted to maintain orderly trading of FTSE® 100 Index Futures Contracts ("the Contracts") on the Taiwan Futures Exchange (TAIFEX), to ensure security and fairness in trading of the Contracts.

### Article 2

Futures commission merchants that engage in trading of the Contracts shall observe these Trading Rules in addition to the Futures Trading Act and applicable acts and regulations. Matters on which these Trading Rules are silent shall be handled in accordance with the applicable bylaws and rules, public announcements, and circulars of the TAIFEX.

### Article 3

The Contracts are abbreviated as " FTSE® 100 Futures " with the ticker symbol "F1F".

### Article 4

The underlying of the Contracts is the FTSE® 100 Index (hereinafter, the "Index"). Matters related to the Index calculation formula, constituents, base date, and adjustments thereto shall be as prescribed by FTSE International Limited (FTSE).

### Article 5

The value of each contract shall be 50 New Taiwan Dollars multiplied by the index point of FTSE® 100 Futures.

### Article 6

The minimum unit of price fluctuation ("tick") in trading orders for the Contracts shall be one index point. Each index point shall have a value of 50 New Taiwan Dollars.

### Article 7

Prior to the close of the after-hours trading session on the last trading day, a futures trader may settle rights and obligations under the Contracts by selling or buying back on the TAIFEX centralized exchange market part or all of the quantity originally bought or sold.

### Article 8

The trading days for the Contracts are the same as business days of the TAIFEX. The trading hours for the Contracts are as follows:

- 1.Regular trading session: from 8:45 am to 1:45 pm.

2. 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. However, if the TAIFEX has made other provisions, those provisions shall prevail. When for any reason the underlying cash market announces a halt of trading, or when other factors affect trading of the Contracts, the TAIFEX may announce a halt of trading based on the circumstances, and report the halt to the competent authority for recordation on the next business day.

Trading orders and matching methods following halts of trading and resumption of trading pursuant to the preceding paragraph shall be handled in accordance with Article 2, paragraph 2, and Article 5 of the Taiwan Futures Exchange Corporation Handling Measures in Response to Halts of Trading in Securities Markets.

When other factors affect trading of the Contracts, or in response to a suggestion by a futures industry association or the Federation of Futures Industry Associations, the TAIFEX may change the trading hours for the Contracts after reporting to the competent authority for approval.

#### Article 9

The delivery months for the Contracts are the four consecutive quarterly months of March, June, September, and December, listed and traded concurrently. The last trading day is the third Friday of the delivery month of the Contracts. Trading of the Contracts at expiry shall cease at the close of the after-hours trading session on the last trading day.

If the third Friday of the delivery month as referred in the preceding paragraph 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 as referred in paragraph 1 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.

The next business day following the last trading day of the Contracts is the final settlement day for a contract at expiry, provided that the TAIFEX may adjust the date if other factors affect the settlement of the Contracts.

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 TAIFEX may change the delivery months, the last trading days, the final settlement days, and the first trading days of the Contracts as it deems necessary after reporting to and receiving approval from the competent authority.

#### Article 10

Orders for buying and selling the Contracts, unless otherwise provided, shall be matched automatically by computer.

Matching shall be done by call auction at market opening, followed by continuous trading during market hours.

#### Article 11

Open positions held by traders are marked-to-market daily after the close of the regular trading session based on the daily settlement price published by the TAIFEX.

The daily settlement price as referred in the preceding paragraph shall be set on the basis of the market information from the regular trading session and the following principles:

1. The price is the volume-weighted average price of all trades during the last minute before market close.
2. When there is no trade price during the last minute before market close on the given day, the average of the highest unexecuted bid and lowest unexecuted ask prices quoted at market close shall be taken as the daily settlement price.
3. When there is no quoted bid price, the lowest quoted ask price shall be taken as the daily settlement price; when there is no quoted ask price, the highest quoted bid price shall be taken as the daily settlement price.
4. When there is neither a quoted bid price nor a quoted ask price for a distant-month futures contract, then the price difference between the settlement price of the spot-month futures contract and the settlement price of the distant-month futures contract on the previous business day shall be used as the basis of calculation, by adding that price difference to the current day's settlement price for the spot-month futures contract to obtain the daily settlement price of the distant-month contract.
5. If a daily settlement price cannot be determined on the basis of subparagraphs 1 to 4, or if the settlement price determined on that basis is obviously unreasonable, then the settlement price shall be set by the TAIFEX.

#### Article 12

With exception of the conditions described in paragraph 2, paragraph 3 and paragraph 6, the daily price limit of the Contracts is 7 percent above and below the daily settlement price of the preceding regular trading session.

From the market opening to 10 minutes before the market closes, if the transaction price of the nearest-month contract touches the  $\pm 7\%$  daily price limit, or the best bid price of the nearest-month contract touches the  $+7\%$  daily price limit, or the best offer price of the nearest-month contract touches the  $-7\%$  daily price limit, the daily price limit shall expand to  $\pm 13\%$  of the daily settlement price of the preceding regular trading session after 10 minutes.

From the daily price limit expanding to  $\pm 13\%$  of the daily settlement price of the preceding regular trading session to 10 minutes before the market closes, if the transaction price of the nearest-month contract touches the  $\pm 13\%$  daily price limit, or the best bid price of the nearest-month contract touches the  $+13\%$  daily price

limit, or the best offer price of the nearest-month contract touches the -13% daily price limit, the daily price limit shall expand to  $\pm 20\%$  of the daily settlement price of the preceding regular trading session after 10 minutes.

The closing time of the market as referred in paragraph 2 and 3 for determining whether the daily price limit is triggered or not shall be the latest closing time of all delivery months.

The nearest-month contract as referred in paragraph 2 and 3 when expired shall be replaced by the next nearest-month contract after the end of trading.

The daily price limit of the regular trading session shall be the expanded daily price limit if the conditions described in paragraph 2 or paragraph 3 are met in the previous after-hours trading session.

TAIFEX may adjust the daily price limits of the Contracts described in paragraph 1 to paragraph 3 and the preceding paragraph as it deems necessary based on market conditions.

#### Article 13

The final settlement price of the Contracts is set on the basis of the Expiry Value for the FTSE® 100 Index as calculated by FTSE on the last trading day.

If for any reason the Expiry Value is not provided, the final settlement price of the Contracts shall be determined by the TAIFEX with reference to the settlement prices of FTSE® 100 Futures contracts listed on other major exchanges, provided that the TAIFEX may adjust that price in view of market circumstances.

#### Article 14

The Contracts shall be settled in cash with the trader delivering or receiving the net amount of the price differential in cash on the final settlement day based on the final settlement price.

#### Article 15

A futures commission merchant engaging in brokerage trading of the Contracts, prior to accepting an order, shall first collect a sufficient trading margin based on the aggregate total of the brokerage trading order, and from the date of the trade until the expiry of the settlement period, shall mark to market on a daily basis the balance of equity in the positions held by each principal based on the daily settlement price, and credit the aggregate total to the balance of the margin account of the client.

When the balance in a principal's margin account is lower than the required maintenance margin, the futures commission merchant shall immediately notify the principal to deposit cash funds within a specified time frame sufficient to cover the difference between the balance in the margin account and the total amount of the trading margins required for the principal's open positions. If a principal fails to make the deposit within the prescribed time limit, the futures commission merchant may offset the positions on the principal's behalf.

The trading margin and the maintenance margin as referred in the preceding two paragraphs 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.

#### Article 16

The total open positions that a trader holds in the Contracts at any time on either the long or short side of the market may not exceed the limits publicly announced by the TAIFEX.

Every three months, or as occasioned by market conditions, the TAIFEX shall announce the applicable position limit standards under the preceding paragraph, according to the levels given below, based on the higher of the daily average trading volume or open interest of the Contracts during that period, with the benchmark set at 5 percent thereof for individuals and 10 percent thereof for institutional investors. However, the lowest position limit shall be 1,000 contracts for individuals, and 3,000 contracts for institutional investors:

1. When the benchmark is 1,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 200 contracts.
  2. When the benchmark is 2,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 500 contracts.
  3. When the benchmark is 5,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 1,000 contracts.
  4. When the benchmark is 10,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 2,000 contracts.
- The position limit for a proprietary trader or a market maker for the Contracts shall be three times the position limit for an institutional investor set out in paragraph 2. The TAIFEX, however, may adjust this limit for market makers for the Contracts as it deems necessary in view of market conditions.

When the TAIFEX examines the applicable position limit levels, if the increase or decrease in the daily average trading volume or open interest for the period, as compared to that at the time of the previous adjustment, does not exceed 2.5 percent, no adjustment shall be made even if the level for adjustment has been reached.

Any raising of the position limit shall take effect from the regular trading session of the next trading day following the TAIFEX announcement. Any lowering of the position limit shall take effect from the regular trading session of the next trading day following the expiration of the next-nearest month contract that is already listed on the announcement date. The TAFIEX, however, may adjust this according to circumstances.

When a position limit is lowered under the preceding paragraph, a position held by a trader prior to the effective date that surpasses the lowered limit may be held until the expiration date of the Contract, provided that no new position may be added until the lowered limit has been complied with.

Total open positions in the Contracts held in an omnibus account are not subject to the limits of paragraph 2, with the exception of undisclosed omnibus accounts which are subject to the limits for institutional investors.

An institutional investor may apply to the TAIFEX for relaxation of the limits on positions for hedging purposes.

In addition to the provisions of this article, the limits on open positions in the Contracts held by traders shall also conform to the Taiwan Futures Exchange Corporation Rules Governing Surveillance of Market Positions.

#### Article 17

A futures commission merchant engaging in proprietary or brokerage trading of the Contracts shall, unless otherwise provided, be subject to a limit of 100 contracts on the quantity of each trading quote.

The TAIFEX may make adjustments to the limit on the quantity of per order in the preceding paragraph in view of market trading conditions.

#### Article 18

Where any circumstance under Article 31 of the Operating Rules of the Taiwan Futures Exchange Corporation requires suspension of trading or delisting of the Contracts, the TAIFEX shall make a public announcement 30 days prior to implementation, with the exception of termination of the index licensing agreement by FTSE, which results in suspension of trading or delisting of the Contracts.

All open positions shall be liquidated by the announced implementation date for the suspension of trading or delisting. Any positions still open on the implementation date shall be settled at the settlement price of the trading day preceding the implementation date.

#### Article 19

These Rules and any amendments hereto shall be implemented following submission to and approval by the competent authority.

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