

TAIFEX DJIA and S&P 500 Futures

Introduction

The United States is the world's largest economy, and Taiwanese investors have clearly demonstrated a high level of interest in US equity market: Taiwanese investors trade more US stocks (by value) via sub-brokers than any other foreign equities; they trade an average daily volume of more than 10,000 contracts of CME's E-mini Dow Futures and E-mini S&P 500 Futures; and domestic investment trusts have issued ETFs based on US stock indexes. TAIFEX has therefore decided to launch TWD-denominated Dow Jones Industrial Average[®] (DJIA) Futures and S&P 500[®] Futures on 15 May 2017. We believe these products will not only provide domestic investors with more diverse and convenient trading vehicles, but also help further invigorate the domestic futures market.

Product Features

☑TWD-denominated to eliminate FX risk

The DJIA and S&P 500 Futures are denominated in TWD, allowing domestic investors to participate in the US equity market without bearing FX risk.

☑Easy to trade

Once the DJIA and S&P 500 Futures list, domestic investors will also be able to trade TAIFEX's DJIA and S&P 500 Futures via the same channels as other domestic futures products, and therefore at lower cost and with greater convenience than trading US derivatives products via sub-brokers.

☑Trading hours completely cover those of the US equity market

The trading hours for the DJIA and S&P 500 Futures are 08:45-13:45 (Taipei time, regular session) and 15:00-05:00 of the next day (Taipei time, after-hour session). By completely covering the US equity market's trading hours, the TAIFEX products make it easy for investors to grasp opportunities, control their risk, and make position adjustments.

☑Product diversity, strategic diversity

The listing of DJIA and S&P 500 Futures further expands the domestic futures market's product line, not only attracting participation from investors with an interest in US markets, but also providing domestic issuers and investors in ETFs on the DJIA and S&P 500 indexes with a convenient hedging channel. With other international exchanges having already listed futures on the same underlyings, investors will also be able to utilize cross-market strategies to further vitalize and diversify their capital utilization.

The Products

Q1 : What are the underlyings for the DJIA Futures and the S&P 500 Futures?

- (1) The Dow Jones Industrial Average

The Dow Jones Industrial Average was established in May 1896. Currently owned by

S&P Dow Jones Indices (SPDJI), it consists of 30 leading stocks listed on the NYSE and NASDAQ drawn from all industries except transportation and public utilities. The index's value is calculated as a price-weighted average and its components include Apple, McDonald's, Walt Disney, and Coca-Cola. A renowned cross section of large US blue chips, the DJIA's 30 components account for one-fifth of the market capitalization of the US equity market. (The DJIA closed at 21,115.55 points on 1 March 2017.)

(2) S&P 500

The S&P 500 is currently owned by SPDJI. The index consists of 505 common stocks listed on the NYSE and NASDAQ, which together account for 80% of the market capitalization of the US equity market. In addition to the DJIA's 30 large-cap issues, the S&P 500's components include Facebook and Amazon. Its value is calculated as a float-adjusted market capitalization weighted average. (The S&P 500 closed at 2,395.96 points on 1 March 2017.)

Q2 : What are the DJIA and S&P 500 Futures trading days? What are their trading hours?

The DJIA and S&P 500 Futures trade from 08:45-13:45 (Taiwan time, regular session) and from 15:00 of that business day to 05:00 on the following day (Taiwan time, after-hours session). On the last trading day, trading of expiring contracts ends at 13:45. These hours completely cover the trading hours of the underlyings' market, making it easier for investors to take advantage of hedging and strategic-trading opportunities, manage their risk, and adjust their positions in a timely fashion (The US cash market trades from 21:30 to 04:00 on the following day Taiwan time, and from 22:30 to 05:00 on the following day Taiwan time during the winter). The products' trading days are the same as TAIEX's business days. It is therefore possible that the products might be tradable on days on which the US cash market is closed, and might be untradable on days on which the US cash market is open.

Q3 : In what currency are the DJIA and S&P 500 Futures denominated? What is their tick value?

The DJIA Future is denominated in TWD. Its contract multiplier is TWD 20 and its tick size is 1 index point, making its tick value TWD 20.

The S&P 500 Future is also denominated in TWD. Its contract multiplier is TWD 200 and its tick size is 0.25 index points, making its tick value TWD 50.

Q4 : What are the DJIA and S&P 500 Futures' daily price limits?

The DJIA and S&P 500 Futures utilize a three-phased price-limit mechanism, with limits at $\pm 7\%$, $\pm 13\%$, and $\pm 20\%$ of the previous regular trading session's daily settlement price.

Q5 : What is the last trading day for DJIA and S&P 500 Futures? What is their final settlement price? If the products cannot be traded on the last trading day due to a holiday or

force majeure event, how is that day adjusted?

In principle, the last trading day for the DJIA and S&P 500 Futures is the same as that of the CME Group's E-mini Dow Futures and E-mini S&P 500 Futures: the third Friday of the contract month. In the event that the last trading day coincides with a national holiday in Taiwan, or a scheduled non-trading day for the underlyings (scheduled non-trading days for the underlyings generally correspond to NYSE and NASDAQ holidays), the last trading day is adjusted to the first preceding day that is both a scheduled trading day for the underlyings and a business day for TAIIFEX. In the event that a force majeure event (e.g. a typhoon) prevents trading on the last trading day, the date is adjusted to the first following day that is both a scheduled trading day for the underlyings and a business day for TAIIFEX.

In principle, the final settlement prices for the two products are the same as those of the CME Group's E-mini Dow Futures and E-mini S&P 500 Index Futures . For the DJIA Futures, the final settlement price is the DJIA Special Opening Quotation ("SOQ") calculated by SPDJI on the last trading day. For the S&P 500 Futures, it is the S&P 500 Special Opening Quotation ("SOQ") calculated by SPDJI on the last trading day.

Q6 : How are transaction taxes calculated on DJIA and S&P 500 Futures?

The transaction taxes on DJIA and S&P 500 Futures are calculated in the same fashion as those on Taiwanese stock index futures: 0.002% of the market value per contract on each transaction.

Q7 : Where can investors obtain cash market information for the DJIA and the S&P 500?

Investors can access the information through a domestic or foreign financial website, such as Yahoo! Taiwan Stocks (<https://tw.stock.yahoo.com/>), cnYES (<http://www.cnyes.com/>), The Wall Street Journal (<http://www.wsj.com/public/page/news-stock-market-movers.html>) or CNN Money (<http://money.cnn.com/data/markets/?iid=intnledition>); an information vendor, such as Bloomberg (DJIA: INDU<INDEX>; S&P 500: SPX<INDEX>) or Thomson Reuters (DJIA: .DJI; S&P 500: .INX); or SPDJI's official webpages (DJIA: <https://www.djindexes.com/>; S&P 500: <http://us.spindices.com/indices/equity/sp-500>).