

January 2017

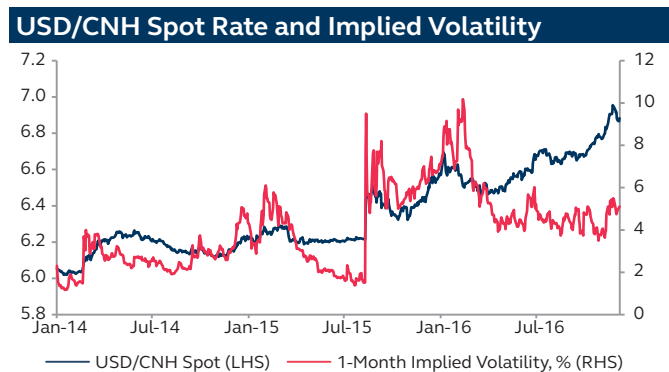
**OVERVIEW**

The introduction of the USD/CNH options is driven by growing demand from market participants for diversified tools for trading and hedging the offshore RMB\* (CNH). Since the CNH trading was first introduced in Hong Kong in 2004, its market size has expanded exponentially on the back of China’s fast transformation into a leading trading country. The growth of the dim sum bond market, expansion of foreign capital participation in the Chinese securities markets, and RMB internationalisation have created demand for products, which could help market participants hedge their CNH exposure. Responding to such market requirements, Hong Kong Exchanges and Clearing Limited (HKEX) introduced USD/CNH futures in 2012 and following their success and anticipating growing needs for more flexible hedging tools, HKEX is now introducing the exchange traded USD/CNH options as part of its strategy to build up a full range of foreign exchange derivatives products.

**TRADING BENEFITS<sup>1</sup>**

- Flexibility of trading and hedging strategies for various market conditions
- Limited counterparty risks
- Transparency and efficiency of standardised exchange-traded contracts
- Cost effectiveness of trading on a margin basis
- Block trade facilities supported by the HKATS
- Variety of eight contract months tenors, the longest being 16 months

**MARKET INFORMATION**



USD/CNH options aim to provide more sophisticated financial instruments to help market participants hedge currency risk more efficiently against the backdrop of increased volatility of the CNH.

\*Renminbi

Note 1: Currency Options are of high risk and not suitable for inexperienced investors or people who are less risk tolerant

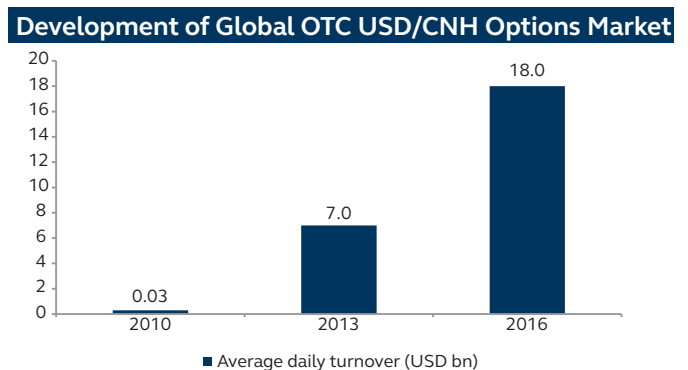
Source: Bloomberg, Bank of International Settlement

**KEY PRODUCT SPECIFICATIONS**

HKATS Code:	CUS									
Contract Size:	USD 100,000									
Price Quotation:	Amount of RMB per USD									
Options Premium:	4 decimal places (eg. 0.0001)									
Tick Value:	RMB 10									
Strike Prices:	Strike intervals shall be set at intervals of 0.05 ±10% from the at-the-money Strike Price									
Exercise Style:	European style									
Settlement on Exercise:	Physical delivery on Exercise									
	<table border="1"> <thead> <tr> <th></th> <th>Holder</th> <th>Writer</th> </tr> </thead> <tbody> <tr> <td>Call Options</td> <td>Payment of the Final Settlement Value* in RMB</td> <td>Delivery of US dollars</td> </tr> <tr> <td>Put Options</td> <td>Delivery of US dollars</td> <td>Payment of the Final Settlement Value in RMB</td> </tr> </tbody> </table>		Holder	Writer	Call Options	Payment of the Final Settlement Value* in RMB	Delivery of US dollars	Put Options	Delivery of US dollars	Payment of the Final Settlement Value in RMB
	Holder	Writer								
Call Options	Payment of the Final Settlement Value* in RMB	Delivery of US dollars								
Put Options	Delivery of US dollars	Payment of the Final Settlement Value in RMB								
Official Settlement Price:	USD/CNY (HK) Spot Rate published by Hong Kong Treasury Markets Association (TMA) at or around 11:30am on the Expiry Day									
Contract Months:	Spot month, the next 3 calendar months and the next 4 calendar quarter months									
Final Settlement Day:	Generally the third Wednesday of the Contract Month									
Trading Hours (Hong Kong time):	9:00am – 4:30pm on a normal trading day & 9:00am – 11:00am on the Expiry Day									
Expiry Day:	Two Hong Kong business days prior to the Final Settlement Day									
Large Open positions:	500 open contracts in any one series									

\*Final Settlement Value is the Strike Price multiplied by the Contract Size; applies to both Call and Put Options

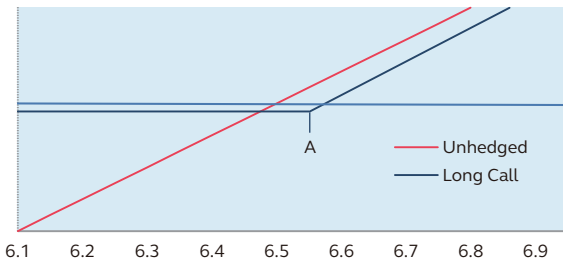
For more details, please refer to the US Dollar vs Renminbi (Hong Kong) (“USD/CNH”) Options Contract Specifications on the HKEX website.



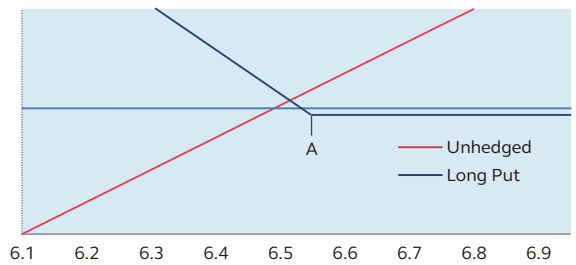
The usage of Over-the-Counter USD/CNH options has increased exponentially since early 2010, paving the way for the introduction of exchanged-traded peers.

# MARKET STRATEGIES (DIAGRAMS OF THEORETICAL PAYOFF IN CNH. TRANSACTION COSTS ARE NOT INCLUDED)

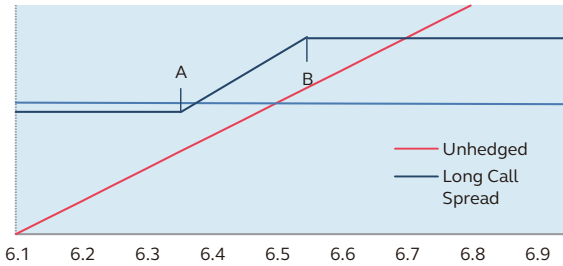
## Long Call (Buy Call with strike price A)



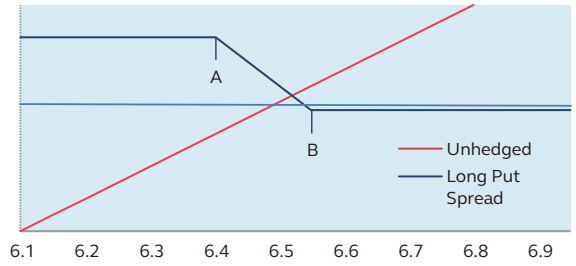
## Long Put (Buy Put with strike price A)



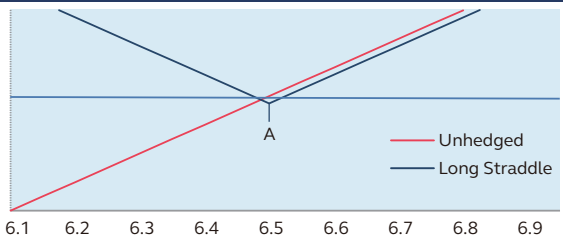
## Long Call Spread (Buy Call with strike price A and sell Call with strike price B)



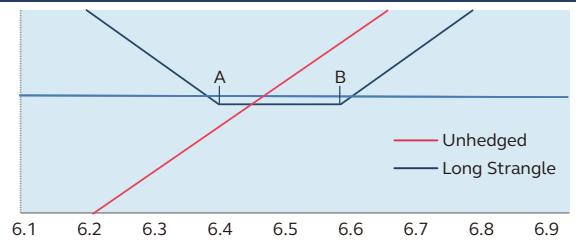
## Long Put Spread (Buy Put with strike price A and sell Put with strike price B)



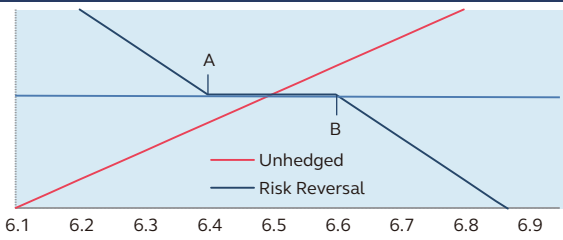
## Long Straddle (Buy Call and Put with strike price A)



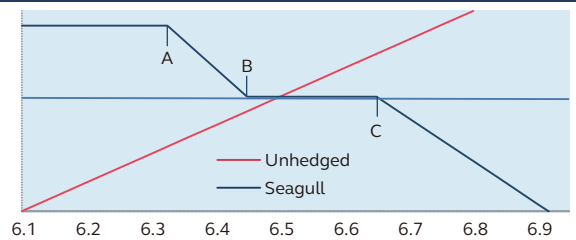
## Long Strangle (Buy Call with strike price B and buy Put with strike price A)



## Risk Reversal (Buy Put with strike price A and sell Call with strike price B)



## Seagull (Buy Put with strike price B, sell Put with strike price A and sell Call with strike price C)



The following disclaimer and copyright notice regarding information provided on the Treasury Markets Association's website:  
The content in this website (including but not limited to the benchmarks administered by the Treasury Markets Association (TMA) and reference rates made available by the TMA (collectively the "Rates")) are provided with delays for general information purposes only. No person should act or refrain from acting on the basis of any information contained in this website and the Rates. The TMA and other data providers (including but not limited to TMA-authorized contributors and affiliates to the Rates) do not accept any responsibility whatsoever for any harm or loss arising from accessing or relying on information contained in this website and the Rates.  
While the TMA will make all reasonable efforts to ensure the accuracy of the Rates and the content on this website, the TMA and other data providers make no warranty, representation or undertaking, expressed or implied by law or otherwise, in relation to the Rates and the content in this website, and expressly disclaim, to the fullest extent permitted by applicable law, all liability in any form whatsoever with respect to any errors or omissions, or losses caused by disruptions in the service or late publication of the Rates or inaccuracy of the Rates or otherwise arising from the use of or reliance on the Rates and content in this website. The TMA may engage third party contributors to provide information for the determination of the Rates. Such third party contributors and affiliates provide information on an "as is" basis, and expressly disclaim all liability for any loss or damage whatsoever incurred by any person arising out of or in connection with its use of the Rates.

In using the content of this website and the Rates, you must not reproduce, redistribute, modify, disseminate, decompile, disassemble or reverse-engineer any information on this website and/or the Rates without the prior written consent of the TMA. This Agreement is governed by, and construed in accordance with, Hong Kong law.

Save for the TMA-authorized contributors of the Rates, no other party has a right to enforce the terms herein under the Contracts (Rights of Third Parties) Ordinance.

By using any content of this website and the Rates, you fully accept and agree to comply with all of the terms and conditions set out herein. If you do not accept these terms and conditions, you should immediately stop using this website and the Rates. It is your responsibility to review these terms and conditions periodically. The TMA reserves the right to modify these terms and conditions from time to time without notice. After you have agreed to these terms and conditions, your continued usage of the Rates and this website shall constitute your acceptance of the prevailing version of terms and conditions set out by the TMA.

### RISKS OF TRADING OPTIONS

**Options can involve a high degree of risk. Losses from options trading can exceed your initial margin funds and you may be required to pay additional margin funds on short notice. Failure to do so may result in your position being liquidated and you being liable for any resulting deficit. You must therefore understand the risks of trading in options and should assess whether they are right for you. You are encouraged to consult a broker or financial advisers on your suitability for options trading in light of your financial positions and investment objectives before trading.**

The information contained in this document is for general informational purposes only and does not constitute an offer, solicitation, invitation or recommendation to buy or sell any options contracts or other products or to provide any investment advice or service of any kind. This document is not intended for distribution to or use by individual investors. This document is not directed at, and is not intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hong Kong Exchanges and Clearing Limited ("HKEX"), Hong Kong Futures Exchange Limited ("HKFE") (together, the "Entities", each an "Entity"), or any of their affiliates, or any of the companies that they operate, to any registration requirement within such jurisdiction or country.

No section or clause in this document may be regarded as creating any obligation on the part of any of the Entities. Rights and obligations with regard to the trading, clearing and settlement of any futures contracts effected on HKFE shall depend solely on the applicable rules of HKFE and the relevant clearing house, as well as the applicable laws, rules and regulations of Hong Kong.

Although the information contained in this document is obtained or compiled from sources believed to be reliable, neither of the Entities guarantees the accuracy, validity, timeliness or completeness of the information or data for any particular purpose, and the Entities and the companies that they operate shall not accept any responsibility for, or be liable for, errors, omissions or other inaccuracies in the information or for the consequences thereof. The information set out in this document is provided on an "as is" and "as available" basis and may be amended or changed. It is not a substitute for professional advice which takes account of your specific circumstances and nothing in this document constitutes legal advice. Neither of the Entities shall be responsible or liable for any loss or damage, directly or indirectly, arising from the use of or reliance upon any information provided in this document.

