



Introduction

Tailor Made Combination (“TMC”) is a new trading function provided by the Genium INET Platform* to execute option strategies.

Option strategy with multiple legs can now be auto-matched in the trading system in one net price. The new TMC function covers Index Futures, Index Options and Single Stock Options.

Investors and traders not only could conduct combination trades more efficiently, they may also enjoy the benefit of higher capital efficiency by having a lower required margin as compared to single-leg strategies^.

* The HKATS system is upgraded to Genium INET Platform to provide significant improvement in trading and clearing capacities, and ultra-low order processing latency to support further development in the derivatives market.

^ Individual Client Account required

Benefits

- One Net Price**
 Users can create combinations with up to FOUR legs (options and futures) and place orders with the one net price
- Auto-Matching**
 Orders for Tailor Made Combination will be ranked and matched by HKATS automatically according to price/time priority
- Ability to Send Quote Requests**
 Users can send quote requests for Tailor Made Combination to induce trading interests
- An Efficient Combination Trade Facility**
 For options rollovers, options strategies and delta hedging
- Certainty of Execution**
 Option strategy order will be executed only if the all legs are simultaneously executed with no risk of any failed legs

Quotation Interpretation

Exchange Participants are requested to note that negative premium may arise for a strategy even though it is created from a buyer (long) perspective. For example, for the strategy below:

Buy 1 HSI22600H3 at 140

Sell 1 HSI22000T3 at 150

Price for **buyer** of this strategy: -10 points (Receive 10 points)

Price for **seller** of this strategy: 10 points (Pay 10 points)

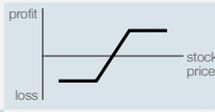
ID	TSS	ISS	Combo Bid	BQty	Bid	Ask	AQty	Combo Ask
TMC_HSI/005	OPEN		(B 1) HSI22600I3 (S 1) HSI22600U3	40	-10			(S 1) HSI22600U3 (B 1) HSI22600I3

Prescribed TMC Strategies

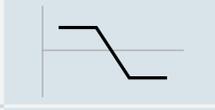
The Exchange will notify Exchange Participants from time to time a list of prescribed strategies for TMC. Please note that the Exchange reserves the right to delete any TMC orders if it is not one of the prescribed strategies or is not created as described below.

Strategies of Same Maturity

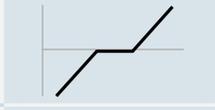
- **Call Spread**
 - + Call
 - Higher strike Call



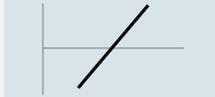
- **Put Spread**
 - + Put
 - Sell lower strike Put



- **Risk Reversal**
 - + Call
 - Lower strike Put



- **Synthetic Futures**
 - + Call
 - Put of same strike



- **Straddle**
 - + Call
 - + Put of same strike



- **Strangle**
 - + Call
 - + Put of lower strike



- **1x2 Ratio call spread**
 - + Call
 - 2 Calls of higher strike



- **1x2 Ratio put spread**
 - + Put
 - 2 Puts of lower strike



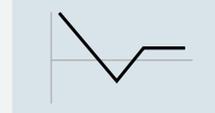
- **Call Ladder**
 - + Call
 - Call of higher strike
 - Call of even higher strike



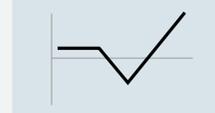
- **Put Ladder**
 - + Put
 - Put of lower strike
 - Put of even lower strike



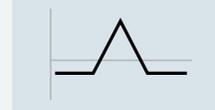
- **Straddle Versus Call**
 - + Call
 - + Put of same strike
 - Call of different strike



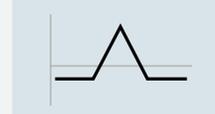
- **Straddle Versus Put**
 - + Call
 - + Put of same strike
 - Put of different strike



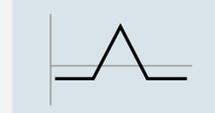
- **Call Butterfly**
 - + Call
 - 2 Call of higher strike
 - + Call of even higher strike



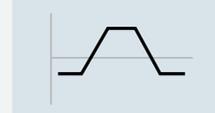
- **Put Butterfly**
 - + Put
 - 2 Puts of higher strike
 - + Put of even higher strike



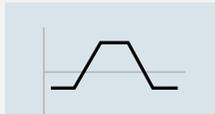
- **Iron Butterfly**
 - + Put
 - Call & put of same higher strike
 - + Call of even higher strike



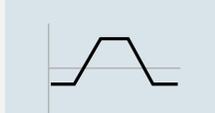
- **Call Condor**
 - + Call
 - 2 Calls of higher different strikes
 - + Call of even higher strike



- **Put Condor**
 - + Put
 - 2 Puts of higher different strikes
 - + Put of even higher strike



- **Iron Condor**
 - + Put
 - Put of higher strike
 - Call of further higher strike
 - + Call of even higher strike



- **Box Spread**
 - + Call, - Put at the same strike
 - + Put, - Call at a same higher strike



Roll-Overs / Calendar Spreads

- **Call Calendar Spread**
 - near month Call
 - + far month Call of the same strike
- **Put Calendar Spread**
 - near month Put
 - + far month Put of the same strike
- **Call Diagonal**
 - near month Call
 - + far month Call of different strikes
- **Put Diagonal**
 - near month Put
 - + far month Put of different strikes or any calendar spread for 2-legged prescribed strategies

Note: "+" indicates long (buy) while "-" indicates short (sell)

For more details, please refer to 'Trading Information' session of the Stock Options Corner : www.hkex.com.hk/stockoptions/eng

Risks of Trading Futures and Options

Futures and options involve a high degree of risk. Losses from futures and 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 futures and options and should assess whether they are right for you. You are encouraged to consult a broker or financial adviser on your suitability for futures and options trading in light of your financial position and investment objectives before trading.

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