Tailor-Made Combination (TMC)
Options Strategy in One Price

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

The new TMC function covers Futures and Options of Hang Seng Index, Mini-Hang Seng Index, H-Shares Index as well as Single Stock Options. TMC is also expected to bring narrower spread on option strategy construction.

Investors and traders not only can make combination trades more efficiently with execution certainty, trading option strategies can attain more efficient use of capital as compared to single-leg strategies^.

^ Net margining account required

Why TMC?

- **One Net Price**
  Users can create combinations with up to FOUR legs and place orders with one net price

- **Auto-Matching**
  TMC orders will be ranked and matched by HKATS automatically according to price/time priority

- **Quote Request**
  Users can send quote requests for a TMC

- **Certainty of Execution**
  Option strategy order will be executed only if all legs are simultaneously executed with no risk of any failed legs

- **Versatile Facility for Rollover & Hedging**
  Rollover and hedging can be done more easily and efficiently

How to enter a TMC order?

For example, to enter an order for a risk-reversal strategy as below :

Buy 1   HSI22600I3 at 140   (Buying Sep HSI 22600 Call)
Sell 1   HSI22000U3 at 150   (Selling Sep HSI 22000 Put)

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

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

ID	TSS	ISS	Combo Bid	BQty	Bid	Ask	AQty	Combo Ask
TMC_HSI/005	OPEN		(B 1) HSI22600I3 (S 1) HSI22000U3	40	-10			(S 1) HSI22600I3 (B 1) HSI22000U3

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* Genium INET Platform is the latest upgrade of HKATS, the derivatives market trading system. It results in significantly higher trading and clearing capacities, as well as ultra-low order processing latency over its predecessor.

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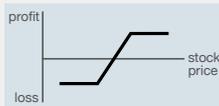
- **Put Spread**
  + Put
  − Lower strike Put
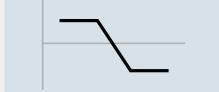
- **Risk Reversal**
  + Call
  − Lower strike Put

- **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 Calls 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
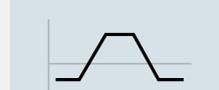
- **Put Condor**
  + Put
  − 2 Puts of higher different strikes
  + Put of even higher strike
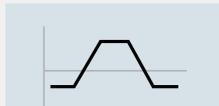
- **Iron Condor**
  + Put
  − Put of higher strike
  − Call of further higher strike
  + Call of even higher strike

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

- **Delta Neutral Combinations**
  Please refer to circular on HKEx website for further details

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

- **Any Calendar Spread for 2-legged Prescribed Strategies**
  − any two-legged prescribed combination in near month
  + the same combination in far month

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

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

Mobile App
(Coming Soon)

HKEx STOCK OPTIONS

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