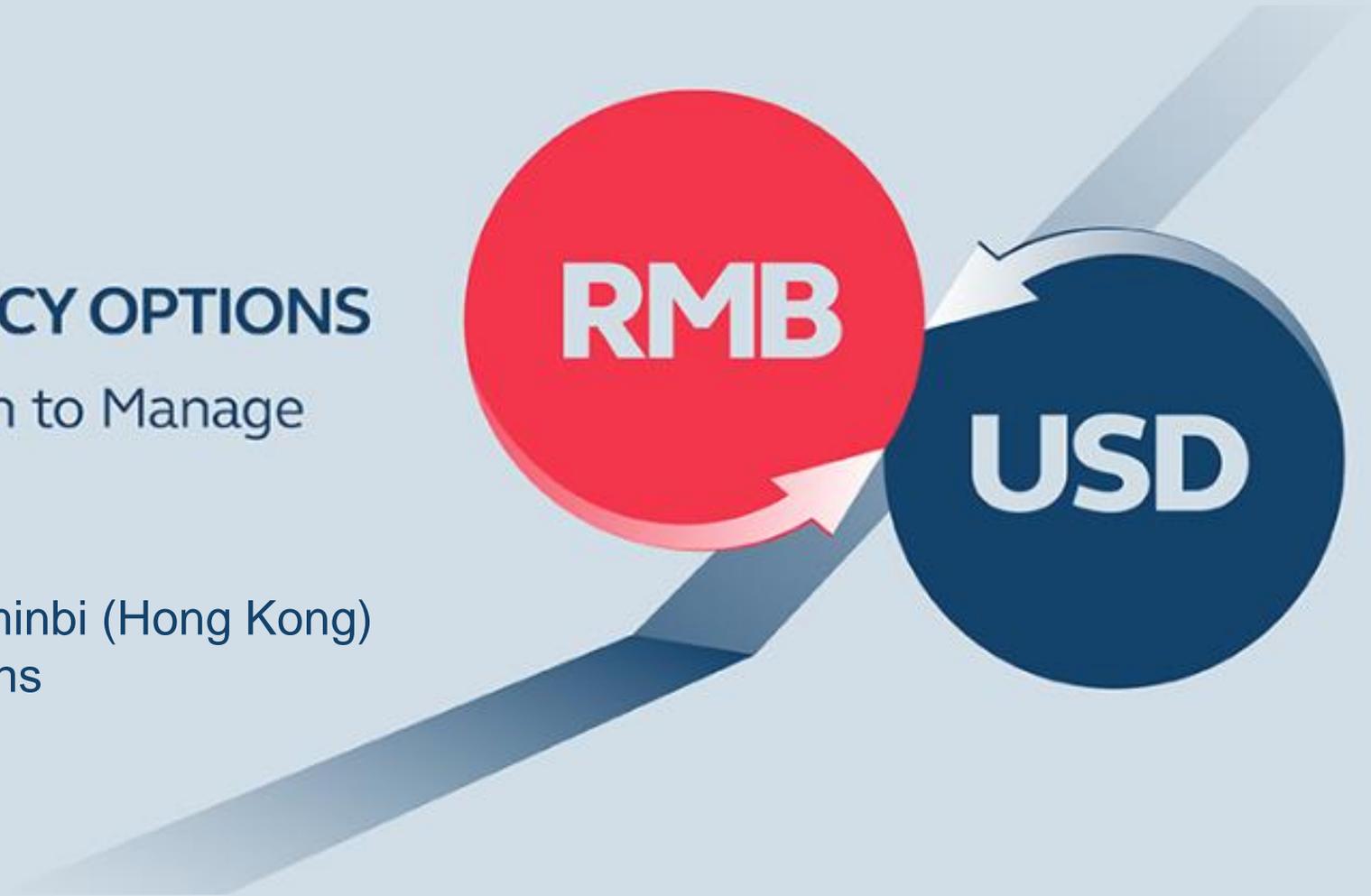


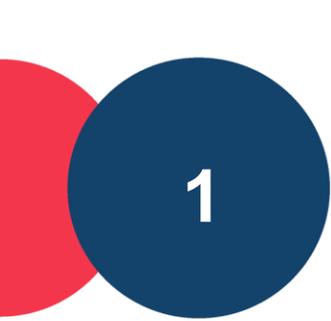
# RMB CURRENCY OPTIONS

Your New Option to Manage  
RMB Risks

US Dollars vs Renminbi (Hong Kong)  
("USD/CNH") Options



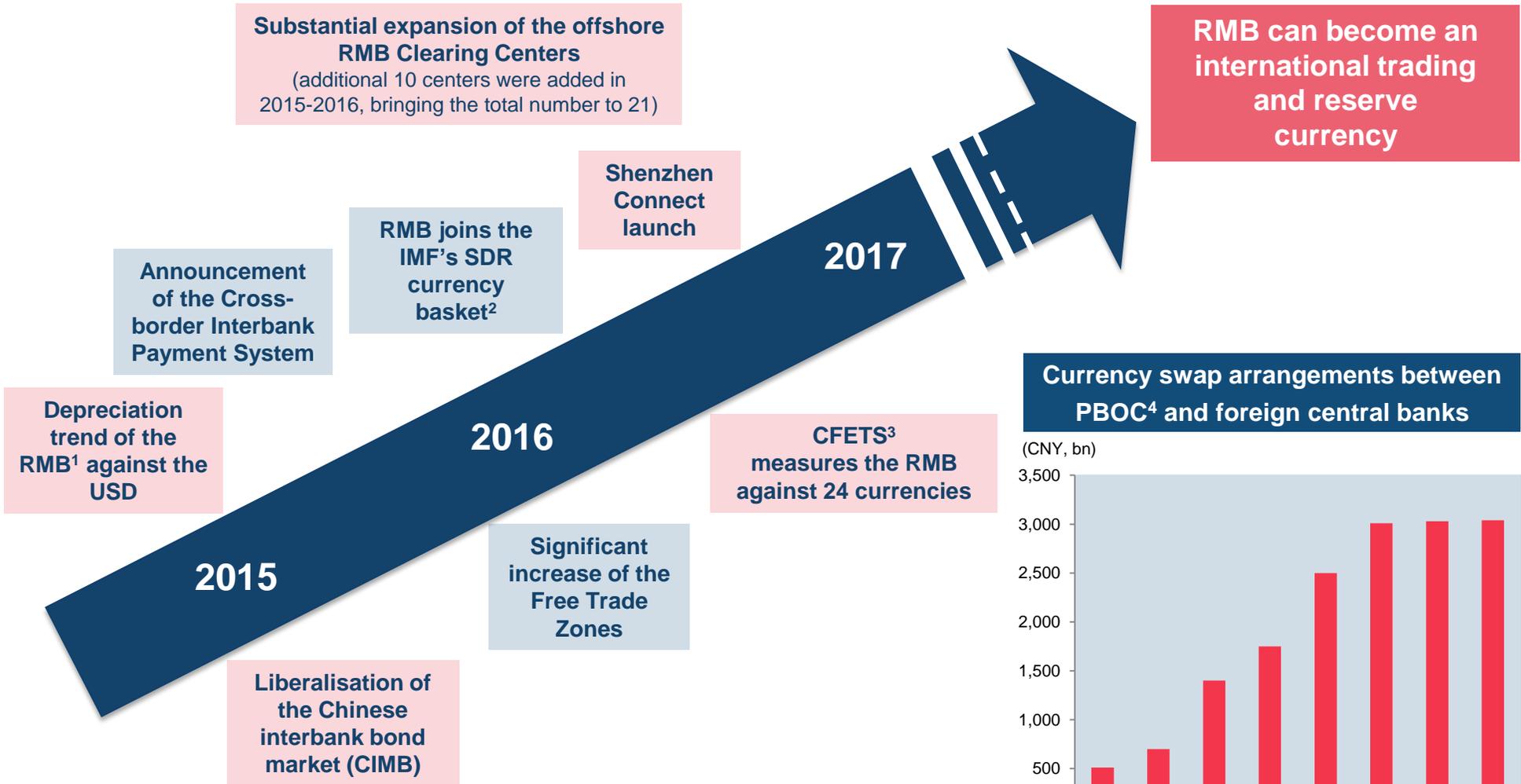
January 2017



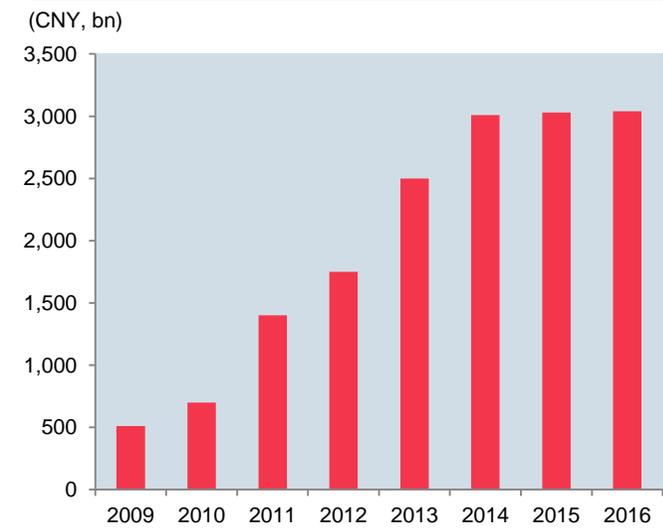
1

**HKEX FIC MARKET UPDATE  
AND INTRODUCTION OF  
US DOLLARS VS RENMINBI  
(HONG KONG) (“USD/CNH”)  
OPTIONS**

# RECENT DEVELOPMENTS OF RMB INTERNATIONALISATION

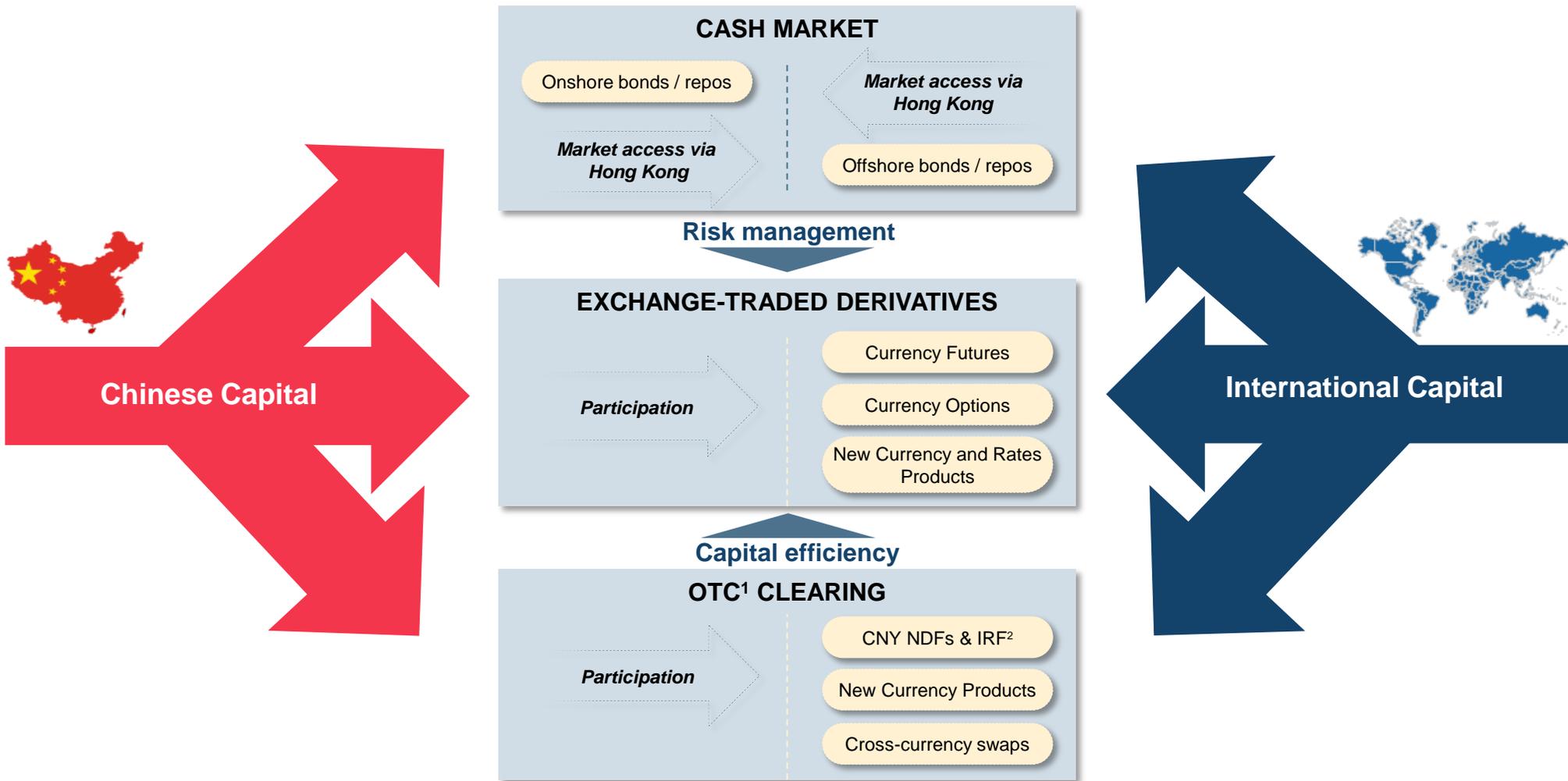


**Currency swap arrangements between PBOC<sup>4</sup> and foreign central banks**



Note 1: Renminbi; Note 2: International Monetary Funds' Special Drawing Rights basket  
 Note 3: China Foreign Exchange Trade System; Note 4: People's Bank of China  
 Source: KPMG, Going Global report, 2017

# HKEX FIXED INCOME AND CURRENCY ROADMAP



**Onshore Access with a Comprehensive Suite of FIC Derivatives on Chinese Assets**



Note 1: Over-The-Counter  
 Note 2: Onshore Renminbi Non-Deliverable Forwards & Interest Rate Forwards  
 Source: HKEX

# ADVANTAGES OF EXCHANGE-TRADED RMB DERIVATIVES

	RMB OTC Derivatives	RMB Exchange-Traded Derivatives
<b>Central Clearing</b>	<b>Bilateral</b> and no central clearing	<b>Central clearing</b> counterparty on both sides of transactions
<b>Credit and Collateral</b>	Need to <b>negotiate credit lines</b> and collateral arrangements with banks	<b>Margin-based</b> and <b>cash collateral</b> is accepted
<b>Settlement Risk</b>	RMB is not a CLS <sup>1</sup> -eligible currency, therefore <b>cannot</b> utilise the CLS system for <b>position netting</b>	<b>Position netting</b> is <b>available</b> for exchange traded derivatives
<b>Documentation</b>	Bilateral documents such as ISDA <sup>2</sup> and CSA <sup>3</sup> are required	Only account opening documents are needed
	↓	↓
<b>Capital Efficiency</b>	Relatively <b>lower</b> capital efficiency	<b>Enhanced</b> capital efficiency



Note 1: Continuous Linked Settlement System  
 Note 2: International Swaps and Derivatives Agreement  
 Note 3: Credit Support Annex

# HKEX WILL OFFER A COMPREHENSIVE SUITE OF CURRENCY DERIVATIVES

## CNH<sup>1</sup> futures

Offer linear exposure of the underlying currency rate

- USD/CNH futures
- EUR/CNH futures
- AUD/CNH futures
- JPY/CNH futures
- CNH/USD futures

## CNH options

Offer exposure of non-linear risk sensitivities e.g. volatility (i.e. vega) and time (i.e. theta) and 2nd-order derivative of underlying (i.e. gamma)

- USD/CNH options
- EUR/CNH options<sup>2</sup>
- AUD/CNH options
- JPY/CNH options

*More currency products to come*



Note 1: Offshore Renminbi

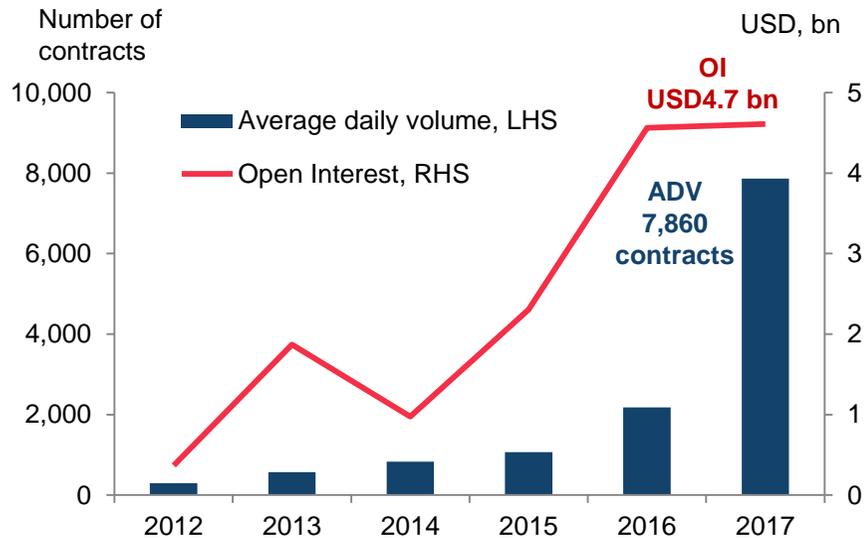
Note 2: HKEX may consider introduction of EUR/CNH, AUD/CNH, JPY/CNH options going forward, subject to market demand and readiness

# HKEX USD/CNH FUTURES: THE WORLD'S MOST LIQUID USD/CNH CONTRACT

## Best Volume and Best Open Interest<sup>1</sup>

ADV: **~50%** of world's total USD/CNH Futures

Open Interest: **67%** of world's total USD/CNH Futures



Source: HKEX (up to 10 Jan 2017)

## Best Distribution<sup>1</sup> – Connected to 100+ Brokers

### 8 Market Makers

BOC	ICBC
HSBC	DBS
BAML	Virtu Financial
Bank Sinopac	Haitong

### Top Price Takers

Prop Trading	Hedge Funds
FI Prop Desks	QDII Mutual Funds
SMEs	Asset Managers
Retails	Corporate Treasury
HNWs	Im/Export Corps
	Large Corps

## 2017 New Records – 20,338 contracts

Single-Day turnover of **20,338 contracts** (US\$2bn) on 5 Jan

Open Interest record of **46,711 contracts** (US\$4.7bn) on 4 Jan

Night-Session record **3,642 contracts** (US\$360mn) on 4 Jan



2

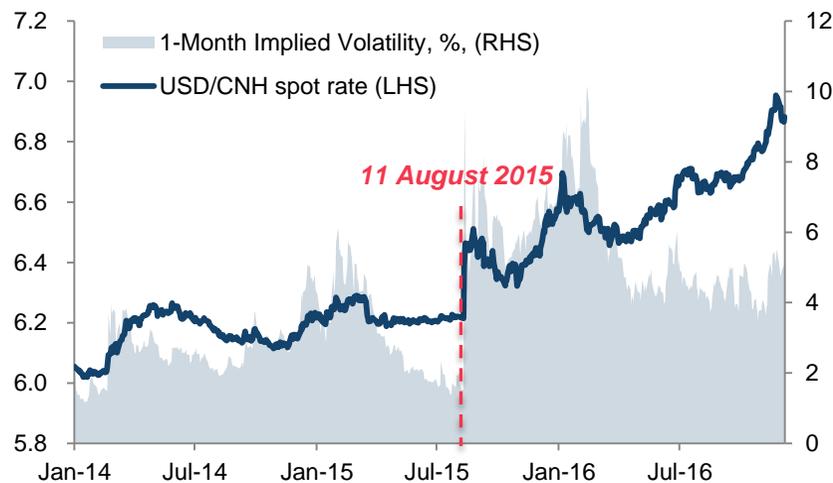
## PRODUCT RATIONALE

# RMB'S NEW ERA: TWO-WAY VOLATILITY DRIVES DEMAND FOR CNH OPTIONS

## RMB's Volatility

- A new market-based managed floating framework for RMB was introduced by PBOC on 11 August 2015<sup>1</sup>. It reflects:
  - the previous close of the CNY rate
  - market supply and demand with reference to baskets of currencies
- After 11 August 2015 the 1-month implied volatility of the USD/CNH rate increased to 4-10%.

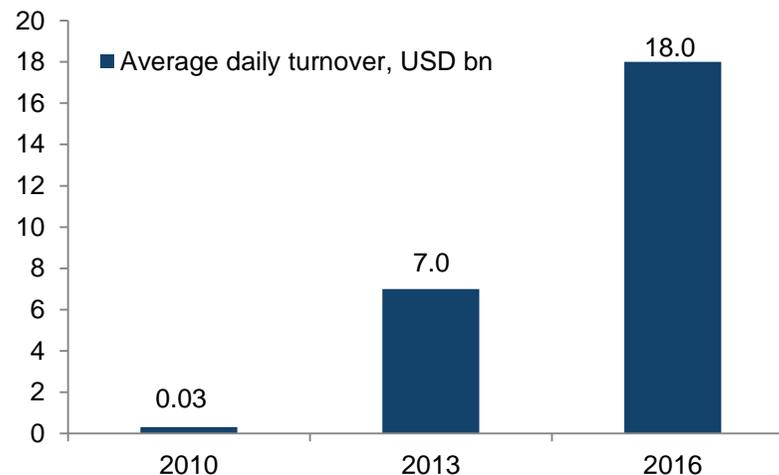
USD/CNH spot rate and volatility



## OTC CNH Options Market

- A sizeable OTC CNH options market already exists
  - Average daily trading volume of US\$15-20bn<sup>2</sup>
  - Average transaction size US\$150m<sup>2</sup>
- Nowadays the majority of volatility risks are in the form of OTC vanilla options.
  - A substantial amount (about USD100bn+) of USD calls/call spreads were placed on the market since August 2015.

OTC RMB Options



**Exchange-Traded Currency Options provide price transparency and reduce counterparty risks**

Note 1: PBOC, "The PBC Announcement on Improving Quotation of the Central Parity of RMB against US Dollar", 11 August 2015

Note 2: Data in 2016

Source: Bloomberg, Bank of International Settlement, HSBC, Deutsche Bank



# ADVANTAGES OF HKEX USD/CNH OPTIONS<sup>1</sup>

## Flexible Risk Management

- A versatile tool due to options' unique risk and reward profile
- A variety of options / futures strategies deployable
- Exposure to multiple market parameters, e.g. spot rate, volatility and time

## Suitable for various RMB Market Conditions

- Flexibility of strategies for various market conditions
- Can be utilised in bullish, bearish, range-bound or volatile markets

## Leverage<sup>1</sup> & Cost Effectiveness

- Trading on an option premium and margin basis, requires upfront payment of a fraction of notional value
- The trading fee is waived for the first six months; No SFC levy

## Transparency and Efficiency

- Exchange-traded options are standardised, orderly and transparent
- Real-time prices are available on HKEX website and other information vendors



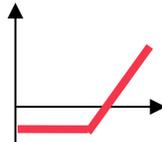
Note 1: Currency options and leverage are of high risk and not suitable for inexperienced investors or people who are less risk tolerant. For further information, please refer to HKEX website

# USD/CNH OPTIONS – CALL AND PUT OPTIONS PAYOFF DIAGRAMS<sup>1</sup>

## Call Options

**Buyer**

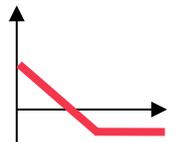
- Pay premium
- Limited risk
- Unlimited upside potential when the spot rate rises



## Put Options

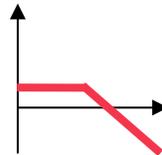
**Buyer**

- Pay premium
- Limited risk
- Significant upside potential when the spot rate declines



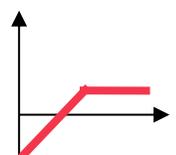
**Seller**

- Receive premium
- Unlimited risk
- Unlimited downside potential when the spot rate rises



**Seller**

- Receive Premium
- Significant risk
- Significant downside potential when the spot rate declines



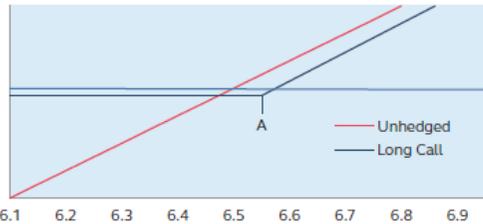
***Options give a buyer the right (but not the obligation) to buy (or sell) an asset at a pre-determined price; and a seller the obligation (but not the right) to buy (or sell) an asset at a pre-determined price***



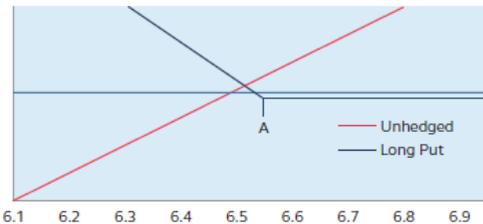
# COMMON OPTIONS TRADING STRATEGIES

DIAGRAMS OF THEORETICAL PAYOFF IN CNH, TRANSACTION COSTS ARE NOT INCLUDED

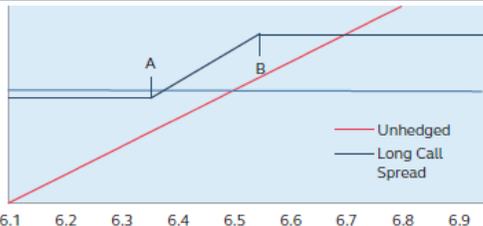
**Long Call (Buy Call with strike price A)**



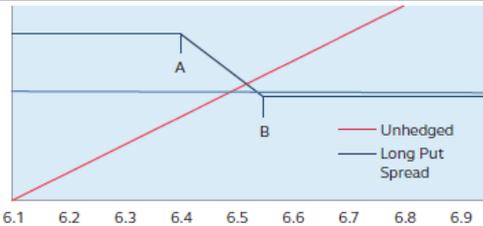
**Long Put (Buy Put with strike price A)**



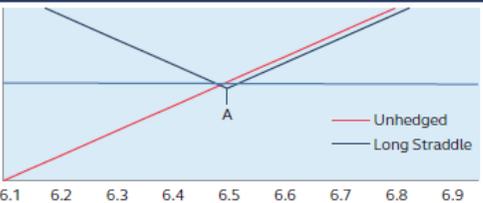
**Long Call Spread (Buy Call with strike price A and sell Call with strike price B)**



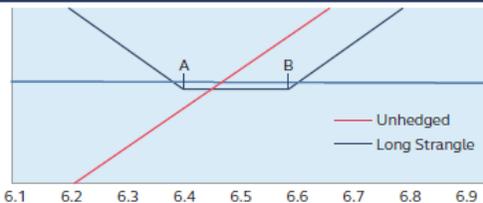
**Long Put Spread (Buy Put with strike price A and sell Put with strike price B)**



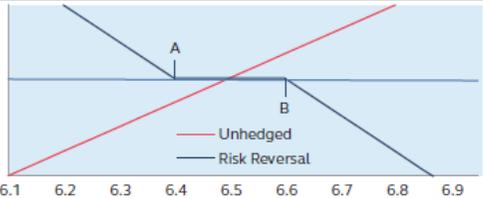
**Long Straddle (Buy Call and Put with strike price A)**



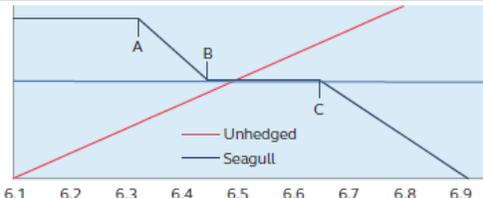
**Long Strangle (Buy Call with strike price B and buy Put with strike price A)**



**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)**



**Options trading strategies are not limited to the above examples. Investors can also combine USD/CNH Futures with USD/CNH Options to construct various strategies.**



# KEY CONTRACT SPECIFICATIONS OF THE USD/CNH OPTIONS <sup>1</sup>

<b>HKATS Code</b>	CUS									
<b>Contract Size</b>	USD 100,000									
<b>Price Quotation</b>	Amount of RMB per USD									
<b>Options Premium</b>	4 decimal places (eg. 0.0001)									
<b>Tick Value</b>	RMB 10									
<b>Strike Prices</b>	Strike intervals will be set at intervals of 0.05 ±10% from the at-the-money Strike Price									
<b>Official Settlement Price</b>	USD/CNY(HK) Spot Rate published at or around 11:30 a.m. on the Expiry Day by the Hong Kong Treasury Markets Association (TMA) <sup>2</sup>									
<b>Settlement on Exercise</b>	Physical delivery on Exercise <table border="1" data-bbox="528 689 1831 796"> <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> <p>* Final Settlement Value is the Strike Price multiplied by the Contract Size; applies to both Call and Put options</p>		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								
<b>Exercise Style</b>	European style									
<b>Contract Months</b>	Spot month, the next three calendar months and the next four calendar quarter months (i.e. quarter months are March, June, September and December)									
<b>Final Settlement Day</b>	Generally the third Wednesday of the Contract Month									
<b>Expiry Day</b>	Two Hong Kong Business Days prior to the Final Settlement Day									
<b>Trading Hours</b>	From 9:00am to 4:30pm (Trading hours on the Expiry Day are from 9:00 a.m. to 11:00 a.m.)									
<b>Trading Fee</b>	RMB 8 per contract (waived for the first 6 months)									
<b>Exercise Fee</b>	RMB 8 per contract									

Note1: To commence trading in the first quarter in 2017, subject to market readiness

For further information, please refer to HKEX website

Note 2: For further information visit [https://www.tma.org.hk/en\\_market\\_info.aspx](https://www.tma.org.hk/en_market_info.aspx)



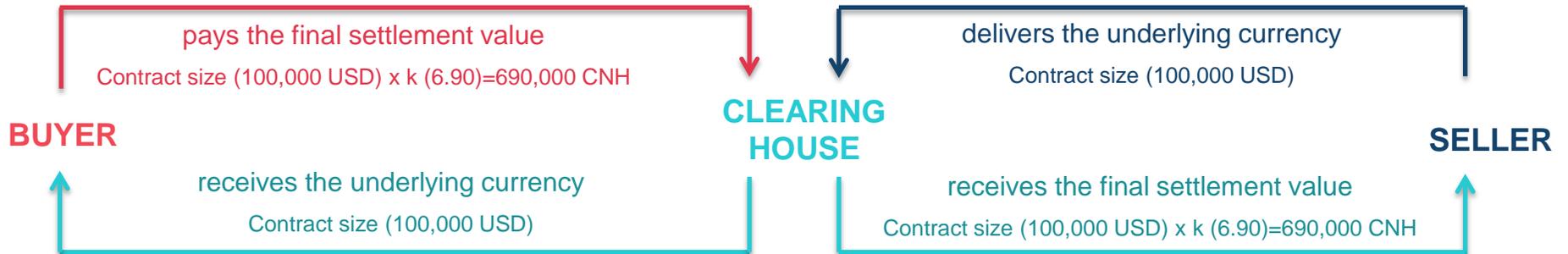
# PHYSICAL DELIVERY ON EXERCISE<sup>1</sup>

## CALL OPTIONS

### Assumptions:

Strike price (k) = 6.90; Official Settlement Price<sup>2</sup> (s) = 6.95

If the **settlement price > strike price, the option is exercised**, if the settlement price ≤ strike price, the option expires worthless

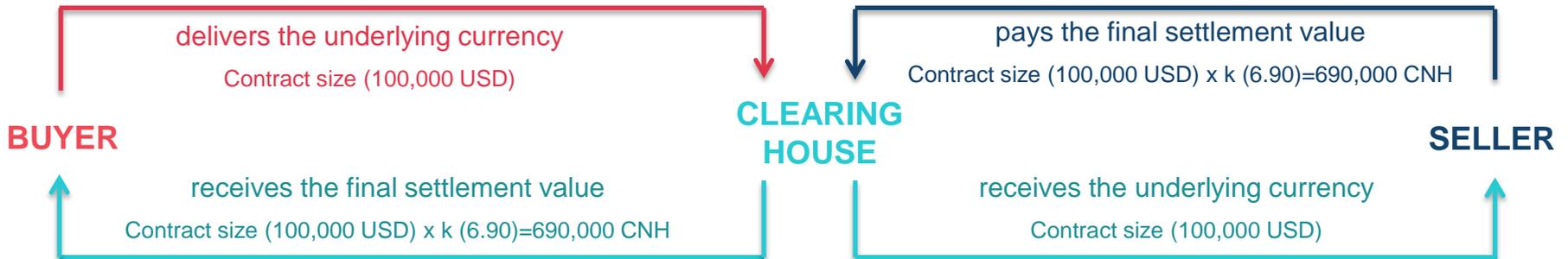


## PUT OPTIONS

### Assumptions:

Strike price (k) = 6.90; Official Settlement Price (s) = 6.85

If the **settlement price < strike price, the option is exercised**, if the settlement price ≥ strike price, the option expires worthless



Note 1: Theoretical payoff diagram, transaction costs are not included

Note 2: Official Settlement Price is the USD/CNY(HK) Spot Rate published by the Hong Kong Treasury Markets Association at or around 11:30 a.m. on the Expiry Day; for further information visit [https://www.tma.org.hk/en\\_market\\_info.aspx](https://www.tma.org.hk/en_market_info.aspx)

# TRADING AND CLEARING ARRANGEMENTS

## Maximum Order Size

- 1,000 contracts
- EPs are required to submit their requests to HKEX for setting up their order size limits based on their business needs & risk management requirements

## Block Trade

- Block Trade facilities supported by the HKATS<sup>1</sup>
- Volume threshold: 50 contracts (notional of US\$5 million)

## Price Makers

- Some Liquidity Providers will provide continuous quote on common strikes on screen
- Some Liquidity Providers will quote prices upon requests for quote (RFQ)

## Clearing Arrangements

- Clearing Participants (CPs) have to arrange for RMB and USD settlement capability
- Need to set up RMB and USD account with the Settlement Banks appointed by the HKCC<sup>2</sup> and to maintain relevant mandates
- CPs have to ensure these bank accounts are in active status and ready for physical delivery
- Non-CPs should contact their General CPs to ascertain eligibility of clearing



Note 1: The Hong Kong Futures Automated Trading System

Note 2: HKFE Clearing Corporation Limited (HKCC)

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## APPENDIX

# HIGHLIGHT IN DCASS AND CCMS FOR USD/CNH OPTIONS (LONG CALL / LONG PUT OPTIONS)

## DCASS – Clearing Information Window

**Clearing Information**

Delivery account: \*\*\* Series: CUS\*,\*  Settlement date  
 Delivery series: \*  Clearing date  
 From time: To time:

Event id	Account	Series	Event	Class	Event qty	Delivery qty	Delivery series	Clearing date	Settlement date
	Long Call	CUSN.NNZZ	Mark-to-market	Variation Margin	10	-XXX,XXX.XX CNY		LTD	LTD+1
		CUSN.NNZZ	Exercise	Delivery vs Payment	10	XX.XXXX CUSSP		LTD	LTD+2
		CUSN.NNZZ	Exercise	Other quantity	10	-X,XXX,XXX.XX CNY		LTD	LTD+2
		CUSN.NNZZ	Exercise	Fee 6	10	-XX.XX CNY		LTD	LTD+1
	Long Put	CUSZ.ZZAA	Mark-to-market	Variation Margin	10	XXX,XXX.XX CNY		LTD	LTD+1
		CUSZ.ZZAA	Exercise	Delivery vs Payment	10	-XX.XXXX CUSSP		LTD	LTD+2
		CUSZ.ZZAA	Exercise	Other quantity	10	X,XXX,XXX.XX CNY		LTD	LTD+2
		CUSZ.ZZAA	Exercise	Fee 6	10	-XX.XX CNY		LTD	LTD+1

Total Event qty: Total Delivery qty:

**Outstanding positions on Last Trading Day**

**USD**

**“Closing” is shown on the Last Trading Day instead of “Exercise” for USD/CNH Futures**



# HIGHLIGHT IN DCASS AND CCMS FOR USD/CNH OPTIONS (SHORT CALL / SHORT PUT OPTIONS)

## DCASS – Clearing Information Window

**Clearing Information**

Delivery account: \*\*\* Series: CUS\*,\*  Settlement date  
 Delivery series: \*  Clearing date  
 From time: To time:

Event id	Account	Series	Event	Class	Event qty	Delivery qty	Delivery series	Clearing date	Settlement date
	Short Call	CUSN.NNZZ	Mark-to-market	Variation Margin	10	XXX,XXX.XX CNY		LTD	LTD+1
		CUSN.NNZZ	Assignment	Delivery vs Payment	10	-XX.XXXX CUSSP		LTD	LTD+2
		CUSN.NNZZ	Assignment	Other quantity	10	X,XXX,XXX.XX CNY		LTD	LTD+2
		CUSN.NNZZ	Assignment	Fee 6	10	-XX.XX CNY		LTD	LTD+1
	Short Put	CUSZ.ZZAA	Mark-to-market	Variation Margin	10	-XXX,XXX.XX CNY		LTD	LTD+1
		CUSZ.ZZAA	Assignment	Delivery vs Payment	10	XX.XXXX CUSSP		LTD	LTD+2
		CUSZ.ZZAA	Assignment	Other quantity	10	-X,XXX,XXX.XX CNY		LTD	LTD+2
		CUSZ.ZZAA	Assignment	Fee 6	10	-XX.XX CNY		LTD	LTD+1

Total Event qty: Total Delivery qty:

**Outstanding positions on Last Trading Day**

**USD**

**“Closing” is shown on the Last Trading Day instead of “Assignment” for USD/CNH Futures**



# HIGHLIGHT IN DCASS AND CCMS FOR USD/CNH OPTIONS

## DCASS – Report/Information for USD/CNH Options

Clearing Report/Function	Field	Description	Remarks
<ul style="list-style-type: none"> <li>■ Deliveries Details (TP010)</li> <li>■ Clearing Information Window</li> </ul>	Class	Delivery vs. Payment	Refer to delivery of the underlying, i.e. USD upon final settlement
		Other Quantity	Refer to cash payment in CNH (currency code being “CNY”) upon final settlement
	Event qty	Number of contracts involved	Outstanding positions on Last Trading Day
	Delivery qty	Number of units of underlying delivery in USD	1 unit of delivery qty = 1 * USD100,000 + => receive USD - => deliver USD
		Payment amount in CNH	Amount of payment obligation in CNH + => receive payment - => make payment
	Delivery series	CUSSP	Refer to delivery obligation upon final settlement (USD)
		CNY	Currency code for CNH to be paid or received upon final settlement



# HIGHLIGHT IN DCASS AND CCMS FOR USD/CNH OPTIONS

## CCMS Report – “CCMPY02” Posting/Collateralisation Result Report

CCMPY02.lis.c3rep2f3 - Notepad

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CCMPY02

HKEX - CCMS  
POSTING / COLLATERALISATION RESULT REPORT  
(DAY-END)

RUN DATE : [REDACTED]  
RUN TIME : [REDACTED]  
PAGE : [REDACTED]

CCMS DATE : [REDACTED]  
CLEARING HOUSE : HKCC  
PAYMENT BATCH NO : 0006

FIRM NAME : [REDACTED]  
PART NAME : [REDACTED]

FIRM ID	PART ID	A/C TYPE	A/C NO	A/C STATUS
E	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

\*\*\*\*\*

COLLATERALISATION BATCH: 034271    COLLATERALISATION DATE: 03JUL12    START TIME: 20:30    END TIME: 20:32

PRODUCT INVOLVED

PRODUCT CODE :    COM    DJI    EF3    HHI    HIBOR    HSI    MHI    RMB    SI1    SI2  
                  SI3    SI4    STOCK    VOL    XHH    XHS

TRANSACTION SOURCE

LEDGER POSTING

PART ID/CUST	A/C CODE	PRODUCT	OB/TXN	CCY	AMOUNT	ORG CCY	ORG AMOUNT	EX RATE
[REDACTED]	RMB	RMB	CHSTM	CNY	- 630,000.00			
[REDACTED]	RMB	RMB	UNSTM	USD	100,000.00			

OBLIGATION COLLATERALISATION

PART ID/CUST	A/C CODE	PRODUCT	OB/TXN	CCY	AMOUNT	ORG CCY	ORG AMOUNT	EX RATE
[REDACTED]	RMB	RMB	CHSTM	CNY	- 630,000.00			
[REDACTED]	RMB	RMB	UNSTM	USD	100,000.00			

CHSTM=CNY Payment

UNSTM= USD Delivery



# HIGHLIGHT IN DCASS AND CCMS FOR USD/CNH OPTIONS

## CCMS Report – “CCMDS01” Statement of Collateral Account

CCMDS01.Briefing - Notepad

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CCMDS01 HKEX - CCMS STATEMENT OF COLLATERAL ACCOUNT RUN DATE : [REDACTED]  
 RUN TIME : [REDACTED]  
 PAGE : [REDACTED]

CCMS DATE : 03JUL12

FIRM NAME : [REDACTED]  
 PART NAME : [REDACTED]  
 FIRM ID PART ID A/C TYPE A/C NO  
 [REDACTED]

\*\*\*\*\*

CASH

CCY	TIME	TOTAL GENERAL CASH	SPECIAL USE	PENDING DDI	OUTSTANDING DEBIT	MOVEMENT TYPE & DESCRIPTION
CNY	[REDACTED]	7,461.00	0.00	300.00	0.00	(OPENING)
		300.00		-300.00		HC-RMB MGN SHORTFALL DDI CONFIRMED
		-7,761.00				HC-RMB MGN SHORTFALL DDI CONFIRMED
					622,239.00	CS-RMB CASH STM LEDGER POSTING
					-622,239.00	DI-OUTSTANDING DEBIT DDI GENERATED
				622,239.00		DI-OUTSTANDING DEBIT DDI GENERATED
		0.00	0.00	622,239.00	0.00	(CLOSING)

NOTE:  
 TOTAL GENERAL CASH = GENERAL CASH + CONTRACT CURRENCY ON-HOLD  
 0.00 = 0.00 + 0.00

CCY	TIME	TOTAL GENERAL CASH	SPECIAL USE	PENDING DDI	OUTSTANDING DEBIT	MOVEMENT TYPE & DESCRIPTION
USD	[REDACTED]	0.00	0.00	0.00	0.00	(OPENING)
		100,000.00				US-RMB UNDERLY STM LEDGER POSTING
		100,000.00	0.00	0.00	0.00	(CLOSING)

NOTE:  
 TOTAL GENERAL CASH = GENERAL CASH + CONTRACT CURRENCY ON-HOLD  
 100,000.00 = 100,000.00 + 0.00

REMARKS : \* THE STOCK MOVEMENTS SHOWN ARE DUE TO THE AUTOMATIC CONVERSION IN CCASS FOR A CORPORATE ACTION (FOR EXAMPLE, SHARE CONSOLIDATION OR SUBDIVISION) WHICH MAY TAKE EFFECT EITHER TODAY OR THE FOLLOWING BUSINESS DAY. FOR DETAILED CLARIFICATION, PLEASE REFER TO THE ISSUER'S ANNOUNCEMENT ON HKEX WEBSITE AT [HTTP://WWW.HKEXNEWS.HK/](http://www.hkexnews.hk/).

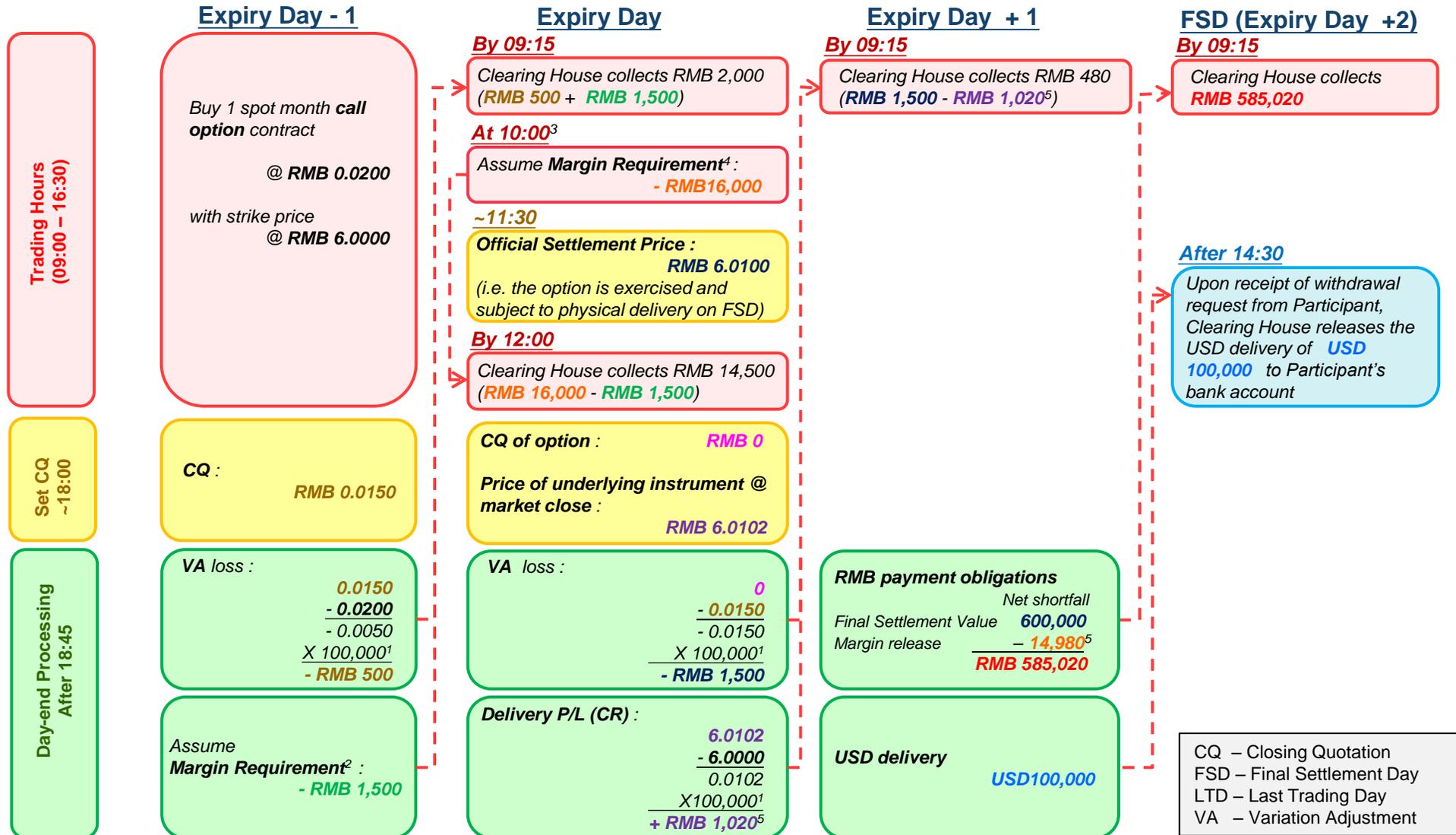
CS- Ledger posting of CNY payment

US-Ledger posting of USD payment



# USD/CNH OPTIONS - FINAL SETTLEMENT PROCESS OVERVIEW

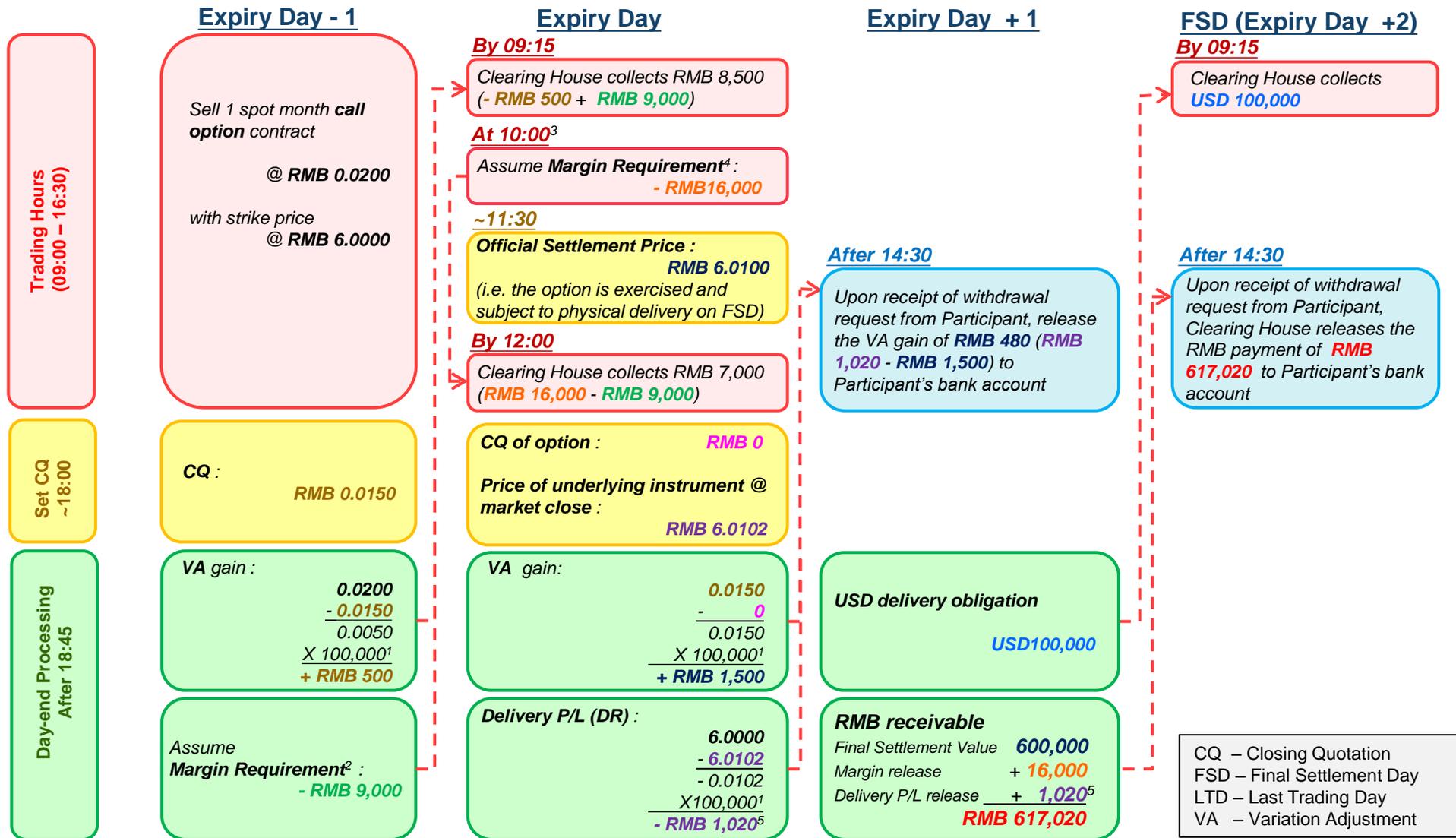
Holder of Call Option When the Option is Exercised (i.e. Strike Price < Official Settlement Price)  
(for illustration purpose only)



Note 1: Contract size = USD 100,000; Note 2: Spot month charge included, if applicable; Note 3: Assume option price is RMB 0.0150 for simplicity, i.e. no VA gain/loss in mandatory intra-day VA and margin call (MMC) at 10:00; Note 4: Assume the option is in-the-money. It is calculated based on the margin requirement of underlying USD/CNH futures, spot month charge included, if applicable; Note 5: Profits arising from Delivery P/L will be offset against Clearing House margin, i.e. RMB 16,000 – RMB 1,020 = RMB 14,980. Assume no change in Delivery P/L in MMC at 10:00 on Expiry Day +1 for simplicity.

# USD/CNH OPTIONS - FINAL SETTLEMENT PROCESS OVERVIEW

Writer of Call Option When the Option is Exercised (i.e. Strike Price < Official Settlement Price)  
(for illustration purpose only)

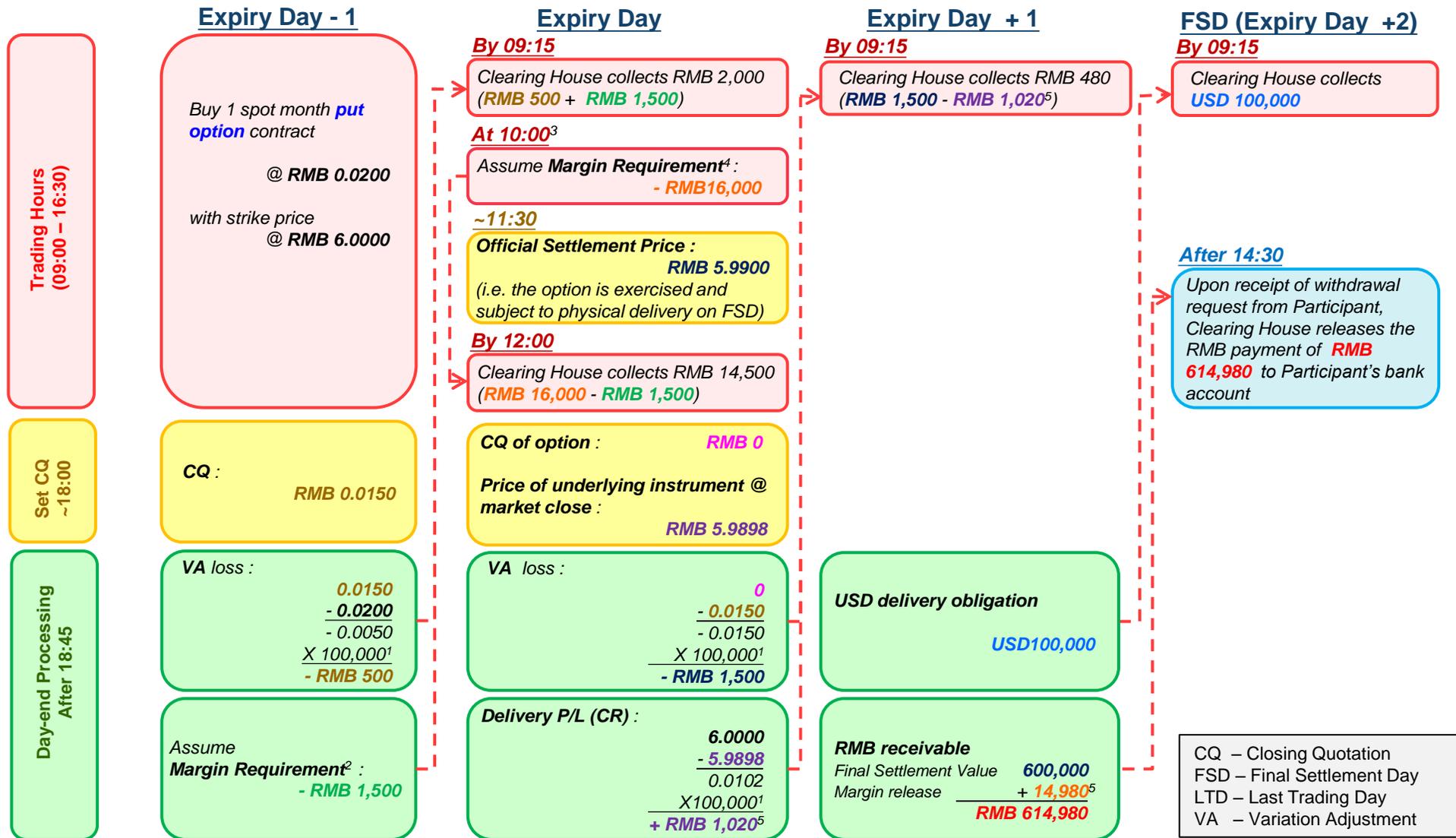


Note 1: Contract size = USD 100,000; Note 2: Spot month charge included, if applicable; Note 3: Assume option price is RMB 0.0150 for simplicity, i.e. no VA gain/loss in mandatory intra-day VA and margin call (MMC) at 10:00; Note 4: Assume the option is in-the-money. It is calculated based on the margin requirement of underlying USD/CNH futures, spot month charge included, if applicable; Note 5: Losses arising from Delivery P/L will be collected as Clearing House margin. Assume no change in Delivery P/L in MMC at 10:00 on Expiry Day +1 for simplicity.

# USD/CNH OPTIONS - FINAL SETTLEMENT PROCESS OVERVIEW

## Holder of Put Option When the Option is Exercised (i.e. Strike Price > Official Settlement Price)

(for illustration purpose only)

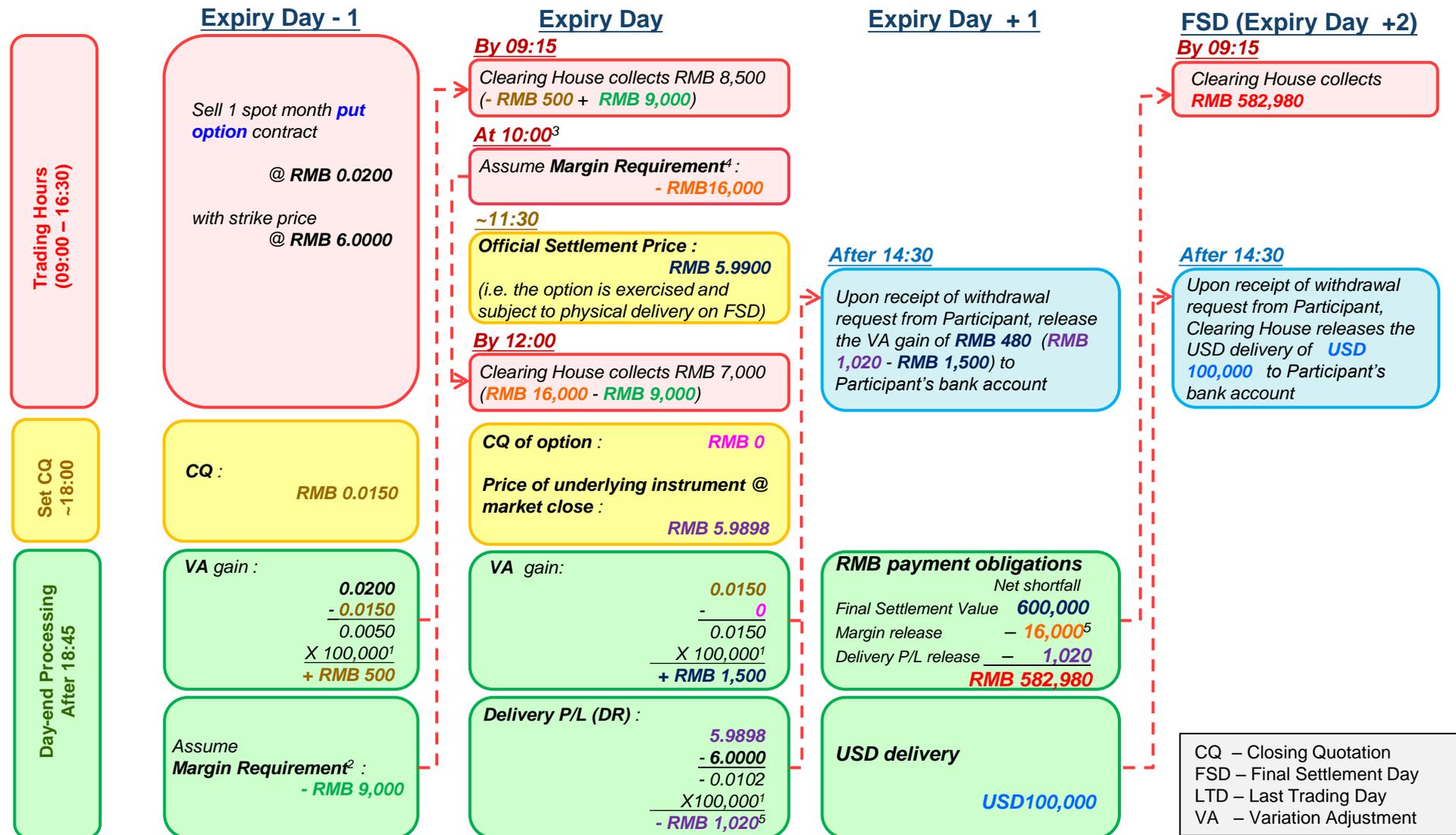


Note 1: Contract size = USD 100,000; Note 2: Spot month charge included, if applicable; Note 3: Assume option price is RMB 0.0150 for simplicity, i.e. no VA gain/loss in mandatory intra-day VA and margin call (MMC) at 10:00; Note 4: Assume the option is in-the-money. It is calculated based on the margin requirement of underlying USD/CNH futures, spot month charge included, if applicable; Note 5: Profits arising from Delivery P/L will be offset against Clearing House margin, i.e. RMB 16,000 – RMB 1,020 = RMB 14,980. Assume no change in Delivery P/L in MMC at 10:00 on Expiry Day +1 for simplicity.

# USD/CNH OPTIONS - FINAL SETTLEMENT PROCESS OVERVIEW

## Writer of Put Option When the Option is Exercised (i.e. Strike Price > Official Settlement Price)

(for illustration purpose only)



Note 1: Contract size = USD 100,000; Note 2: Spot month charge included, if applicable; Note 3: Assume option price is RMB 0.0150 for simplicity, i.e. no VA gain/loss in mandatory intra-day VA and margin call at 10:00; Note 4: Assume the option is in-the-money. It is calculated based on the margin requirement of underlying USD/CNH futures, spot month charge included, if applicable; Note 5: Losses arising from Delivery P/L will be collected as Clearing House margin. Assume no change in Delivery P/L in MMC at 10:00 on Expiry Day +1 for simplicity.