

CHAPTER 7 OPTIONS

7.01 Option registration

- (1) The Buyer of an Option Open Contract created pursuant to Rule 6.03 must pay the Premium to the Clearing House.
- (2) The Seller of an Option Open Contract created pursuant to Rule 6.03 is entitled to receive the Premium from the Clearing House.
- (3) Premium referred to in Rule 7.01(1) becomes due on the day the relevant Option Open Contract comes into existence and is payable at such time as is advised by the Clearing House.

7.02 Notice of exercise

- (1) A Buyer who exercises its right under an Option Open Contract must do so in accordance with the terms of the Option Open Contract and advise the Clearing House of the Exercise in the manner the Clearing House prescribes.
- (2) The Exercise is final and binding on the Buyer.
- (3) Subject to any provisions in the Exchange Rules relating to the Exercise, a Clearing Participant is deemed to have exercised its right under an Option Contract where such Clearing Participant has acted in accordance with Rule 7.02(1) or through automatic exercise as provided in Rule 7.03.

7.03 Automatic exercise

- (1) The Clearing House may at any time prior to the expiry of an Option Open Contract determine procedures which determine the automatic Exercise or otherwise of an Option Open Contract to which the Clearing Participant is a Buyer.
- (2) The procedures determined in accordance with Rule 7.03(1) will apply to the Clearing Participant unless otherwise instructed by the Clearing Participant in the manner prescribed by the Clearing House.

7.04 Assignment of Exercised Options

- (1) The Clearing House will assign all validly Exercised Options to Clearing Participants with open Short Positions in the same series in the manner the Clearing House determines.
- (2) The Clearing House will notify Clearing Participants who are assigned with an Exercised Option pursuant to Rule 7.04(1) above.

7.05 Option expiry

The rights of a Buyer to an Option Open Contract which have not been Exercised in accordance with Rule 7.02, 7.03 or 7.04 by the latest time permitted in accordance with the terms of such Option Open Contract are deemed to have expired.

7.06 Novation of an Option

If the rights and obligations under an Option Open Contract of a Clearing Participant (the “transferor”) are novated pursuant to Rule 6.11 to another Clearing Participant (the “transferee”):

- (a) if the transferor is Buyer to such Open Contract, the Premium for the new Open Contract will be credited to the account of the transferor and debited to the account of the transferee;
- (b) if the transferor is Seller to such Open Contract, the Premium for the new Open Contract will be debited to the account of the transferor and credited to the account of the transferee.

7.07 Exercise of an Option

If an Option is Exercised in accordance with Rules 7.02, 7.03 or 7.04:

- (a) in the case of a Call Option; a Futures Contract, which for the purposes of these Rules will be an Open Contract, comes into existence between the parties to the Option on terms determined in accordance with such Option and the Buyer to such Option shall be Buyer to the Futures Contract;
- (b) in the case of a Put Option; a Futures Contract, which for the purposes of these Rules will be an Open Contract, comes into existence between the parties to the Option on terms determined in accordance with such Option and the Buyer to such Option shall be Seller to the Futures Contract.

7.08 Exercise/assignment fees

Each Clearing Participant must pay such fee or levy as determined by the Clearing House in respect of the Exercise of each Option Open Contract to which such Clearing Participant is a party.

[End of Chapter]