



MEDIA RELEASE

9 February 2007

ASX introduces serial options over the S&P/ASX 200 Index

The Australian Securities Exchange (ASX) has made enhancements to the S&P/ASX 200 Index Option (ticker code XJO) to better meet the needs of investors and offer more opportunities for trading.

Index options provide wide coverage of the share market. Traditionally, ASX has listed index options out to the four calendar-end quarters of March, June, September and December. ASX has now introduced XJO serial options that expand the range of available options to cover the immediate three expiry months at any point in time. The serial options expire in the nearest two months that are not already covered by existing XJO Index Options that expire quarterly.

The introduction of serial options on the index will also include the extension of the four quarter expiries to six quarters.

Detailed product information and the benefits offered by index options are attached.

For further information:

Media:

Kerrin Oshry
Corporate Relations Adviser
(BH) +61 2 9227 0410
(Mobile) 0418 219 496
Email: kerrin.oshry@asx.com.au

ASX Index Options

What are index options?

Index options over the S&P/ASX 200 Index (commonly referred to as XJO Index Options) provide wide coverage of the share market. The S&P/ASX200 Index is regarded as a leading benchmark by professional investors for broad movements. It also reflects the prices of the largest 200 stocks currently listed on ASX, and represents almost 90% of the market as a whole.

The same principles that apply to buying and selling stock options apply to index options. An investor may trade put and call options. These have different exercise prices and a tick value of \$10 per point of the S&P/ASX 200 Index.

XJO Index Options cash settle against the value of the S&P/ASX 200 Index and are European style options.

For all share investors, large or small, this means one can:

- participate in many of Australia's leading companies in one trade as a cost-effective alternative to stock ownership
- protect the value of a share portfolio (for example, by purchasing an index put option)
- earn extra returns (by selling an index call option)
- diversify a portfolio
- profit on the performance of the benchmark stocks used by professional investors
- tailor exposure to take advantage of limited risk strategies

Why invest in index options?

1. One easy transaction

Buying an XJO call option provides exposure to a share portfolio of 200 of the largest stocks on the market. This may be an effective way to gain market exposure should an investor have limited funds.

2. More trading opportunities

With the ease of trading and low transaction costs, an investor can gain short-term exposure to market moves and profit from small changes due to leverage. One could also take advantage of trading opportunities whilst leaving a share portfolio intact. Advanced investors can also write options, which allows them to earn income.

3. Protect the value of a share portfolio

Buying an XJO put option helps protect a share portfolio from stock market downturns without changing the actual holding. It enables an investor to reduce the overall market risk of holding shares in falling markets.

4. Minimise the cost of trading

XJO Index Options can be used as margin offsets if an investor is trading other options. XJO Index Options cost considerably less than buying every security in the index.

How do index options work?

Index options - A trading example:

In January, the S&P/ASX 200 Index is at 5700 points and an investor thinks that the market is going to increase over the next three months. As an alternative to buying a portfolio of shares directly, the investor decides to buy a March 5700 S&P/ASX 200 call option for 90 points or \$900. In March, the S&P/ASX 200 Index has risen to 5900 points and the March 5700 call is now trading at 220 points (most of the time value has decayed away and there is mainly intrinsic value left). The investor decides to "close out" his position by selling the March 5700 call option and making the following profit:

	Market Premium	Premium Value
January: Buy 5700 call	90 points	\$900
March: Sell 5700 call	220 points	\$2,200
Profit*	130 points	\$1,300
* excluding transaction charges, taxes and commissions.		

Expiry of index options and serial options

Traditionally, ASX has listed index options over the four calendar-end quarters of March, June, September and December.

ASX has recently introduced serial options. These will expand the range of available options to cover the immediate three months at any point in time. Serial options are the same as the quarterly index options over the S&P/ASX 200 share price index (ASX Options Code: XJO) that expire in the nearest two months that are not already covered by existing XJO Index Options that expire quarterly. This will effectively make monthly option contracts available over the S&P/ASX 200 share price index.

The below table demonstrates serial options and how they will operate. The month highlighted in bold is the traditional expiry month (quarter-end) while the plain text month represent the new serial options.

Current month	First expiry	Second expiry	Third expiry	Next expiry
February	February	March	April	June
March	March	April	May	June
April	April	May	June	September

For example, ASX listed index options on Friday 19 January 2007 with February 2007 and April 2007 expiries. These are listed alongside existing index options with March 2007, June 2007, September 2007 and December 2007 expiries. This means that at any time there will be "rolling 1/2/3" expiries available.

The expiry date is the third Thursday of the month, unless otherwise specified by ASX.

Why has ASX introduced serial options?

Serial options have been introduced to ensure consistency with existing SFE SPI 200™ products which already have serials for futures and options. Markets can therefore benefit from having related contracts, enabling market makers to connect contracts and enhance liquidity further. It also provides monthly opportunities to customers in addition to quarterly opportunities.

Daily settlement price

The Daily Settlement Price (DSP) is determined in the same way for index options as it is for stock options.

How are margins determined?

The clearing house margin system called TIMS (Theoretical Intermarket Margining System) applies to index options as it does to stock options.

How do they settle?

XJO Index Options cash settle against the value of the S&P/ASX 200 Index. The settlement price used will be the ASX Opening Price Index Calculation (OPIC). The OPIC is based on the first traded price of each constituent stock in the index on the expiry day. If a constituent stock does not trade on the expiry day, the last traded price from the previous trading day will be used.

Disclaimer

Information provided is for educational purposes and does not constitute financial product advice. You should obtain independent advice from an Australian financial services licensee before making any financial decisions. Although ASX Limited ABN 98 008 624 691 and its related bodies corporate ("ASX") has made every effort to ensure the accuracy of the information as at the date of publication, ASX does not give any warranty or representation as to the accuracy, reliability or completeness of the information. To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way (including by way of negligence) from or in connection with any information provided or omitted or from any one acting or refraining to act in reliance on this information.

© Copyright 2007 ASX Limited ABN 98 008 624 691. All rights reserved 2007.

Print Date: January 2007

