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Companies Update
12 March 2010

Update no 02/10

Important information for ASX Listed Entities

Guidelines for ASX Listed Entities concerning their obligations regarding the operation of the ASX Exchange Traded Options market

This Companies Update is intended to provide the following information to listed entities.

- An explanation of how the ASX Exchange Traded Option ("ETO") market functions;
- The requirements of the [ASX Listing Rules](#) which are relevant to the ETO market; and
- An explanation of how certain actions undertaken by listed entities, such as trading halts requested in connection with fundraising, can impact the operation of the ETO market.

ASX has operated an ETO market since 1976. ETOs are different from company options in that ETOs are in effect listed by the exchange.

A comprehensive document outlining the listed entities over which ASX may list ETOs, strike prices, maturity dates, etc, can be found on our [website](#) (PDF 107KB)

Classes over which ASX lists ETOs

ASX has a core "universe" of ETO "classes" over which it will list ETOs. At present, those entities are (identified here by their ASX codes):

AGK, AIO, AMC, AMP, ANZ, ASX, AWC, AXA, BHP, BLD, BSL, BXB, CBA, CCL, COH, CPU, CSL, CSR, DJS, FGL, FMG, FXJ, GPT, HVN, IAG, IFL, IPL, ITO, JHX, LEI, LGL, LLC, MAP, MQA, MQG, MYR, NAB, NCM, ORG, ORI, OSH, OST, OZL, PPX, QAN, QBE, RIO, SGP, STO, STW, SUN, TAH, TCL, TEN, TLS, TOL, TTS, WBC, WDC, WES, WOR, WOW & WPL.

ASX announced in June 2009 that "classes" that fell outside this "universe" would be subject to a phased de-listing. The "classes" that still have a small number of ETOs listed are:

BBG, BLY, BTA, CWN, ELD, GNS, KZL, NWSLV, PEM, SHL & VBA.

ASX may also list ETOs over other "classes" if two market makers are willing to nominate themselves for quoting obligations and that "class" meets the ASX listing requirements (detailed in the listing requirements document). Currently ASX has listed ETOs over MYR and WOR by this mechanism.

ASX may also list Low Exercise Price Options ("LEPOs"), but not regular call and put options, over other "classes" on a case by case basis. The "classes" currently listed with LEPOs only are:

ANN, CFX, CGF, GTP, HGG, PBG, SEV, SGT & TEL.

Expiry Months Listed

Generally ASX will list ETOs over the major "classes" in the first 6 months from the listing date and then in the March, June, September and December cycle.

Obligations of Listed Companies regarding the ETO Market.

Most people familiar with ETOs are aware that the amount of an entity's dividend is a pricing component determining the worth of call and put options.

[Listing rule 3.20.2](#) (PDF 117KB) outlines a listed entity's compliance obligation concerning dividend record dates. A footnote to listing rule 3.20.2 makes reference to ETOs:

"An entity should take into account a number of factors when determining when it is appropriate to tell ASX of a proposed record date, including whether ETOs are issued in respect of any of the entity's securities."

The intent of this is to ensure that listed entities are aware that an entity's ex-dividend date materially affects the worth of call and put options, especially if any unexpected change in these dates crosses over option expiries.

For example, if an entity's ex-dividend date regularly fell in the month of March (before the scheduled ETO expiry date) the marketplace would generally expect this and price March and April options accordingly. If, however, the entity decided (for whatever reason) to postpone the ex-dividend date until April (and did not give appropriate notice of this), that would affect the worth of March and April options.

Trading Halts and the ETO Market

In recent years, there has been an increase in the number of listed entities requesting trading halts in connection with various corporate actions (e.g. capital raisings, etc) that they may be undertaking.

These corporate actions (and any associated trading halt) can impact the ETO market, especially if the requested trading halt crosses over the ETO expiry date for ETOs listed over that entity's securities. ASX Market Rules prohibit the ETO market being open when the listed entity is in a trading halt.

Any such trading halt over the ETO expiry causes difficulty for options holders and options writers concerning the expiry process. Only about 12% of open positions in the ASX ETO market are exercised. Most open positions are rolled 1 or 2 days prior to expiry or on the expiry

day, which cannot be actioned if the entity is in a trading halt. Furthermore, options holders/writers are left without any recent pricing history or a final closing price for the entity on which to base their decisions concerning exercise. Difficulties may also arise concerning stock borrowing, etc, to ensure successful settlement of all expiry exercise obligations. Often the affected parties will be shareholders (using options as an enhancement) in the entity which is subject to the trading halt.

To mitigate these difficulties ASX does and will re-open ETOs for 2 hours on the afternoon of the expiry day when the entity is in a trading halt. ASX does this to offer a mechanism whereby options holders/writers looking to roll or trade out prior to the ETO expiry get a chance to do so. However, this is a somewhat limited solution, as there will always be some degree of supposition about what the buyers and sellers may perceive to be the appropriate "basis" price.

Expiry Dates in 2010 and 2011

For your reference, the ASX ETO Expiry dates for 2010 and 2011 are set out below.

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2010 | 28 | 25 | 25 | 29 | 27 | 24 | 29 | 26 | 23 | 28 | 25 | 23 |
| 2011 | 27 | 24 | 24 | 28 | 26 | 23 | 28 | 25 | 29 | 27 | 24 | 22 |

Conclusion

ASX reminds listed entities, particularly those which also have ETOs listed, of their disclosure obligations regarding informing ASX of any changes to their dividend record dates under [listing rule 3.20.2](#) (PDF 117KB).

Listed entities, which also have ETOs listed, are asked to consider the ETO market when conducting a corporate action that would involve a trading halt over the monthly ETO expiry day.

If you have any doubt as to whether ETOs are listed over your entity you can check the file (updated weekly) on our [website](#).

ASX advises that in deciding whether to agree to timetables for corporate actions or issues which involve a trading halt or a suspension from quotation, ASX will take into account the impact on the ETO market. If a trading halt or suspension will be sought under a proposed timetable over a date which is an ETO expiry date, ASX may require the timetable to be amended so that the impact on the ETO market is minimised.

ASX encourages listed entities to consult with their Issuers Advisers well in advance of announcing a timetable for any such corporate actions or issues.

identified as a key contact within the Company Secretary's Office at your organisation. If you would like to update your email address please do so via the Directors/Senior Management page on [ASX Online for Companies](#). Feel free to forward this email to any relevant parties within your organisation.
