

Adding Single Stock Futures to the After-hours Session of TAIFEX

After the outbreak of the COVID-19, the global financial market has become more volatile and interconnected, and traders have greater needs to adjust their positions during the after-hours session. In recent years, single stock futures has grown significantly in trading volume and become one of the main products of the futures market of Taiwan. Taiwan's American Depositary Receipts (ADRs) are all electronic stocks and their prices are often affected by the U.S. technology stocks. The significant increase in the trading volume of Taiwan's ADRs reflects a demand for trading of the relevant securities during U.S. stock trading hours. TAIFEX plans to add single stock futures on the underlying securities with ADRs to the after-hours session, so as to fully unleash the potential of price discovery and hedging functions of the futures market.

- After-hours session : 17:25~ 05:00 the following day
- Eligible products : TSMC Futures (CD), mini-TSMC Futures (QF)

Trading : in addition to the current after-hours trading practices, the newly added practices due to single stock futures characteristics are as follows.

- The handling method and timing to adjust the contract in accordance with corporate actions for single stock futures included in after-hours session.
 - Those that do not involve changing ticker symbol (such as distribution of cash dividends)
 - ✓ Contract adjustment method: adjust opening reference price (i.e. daily settlement price deduct the cash dividend), and adjust the buy-side and sell-side equity amount (the addition to the buy-side equity amount and the deduction from the sell-side equity amount).
 - ✓ Effective time: the contract adjustment will be made in the after-hours

session preceding the effective date of contract adjustments(i.e. ex-dividend date), and the contract will still be traded in that after-hours session.

✓ Special case: if the issuer of the underlying securities announces the revision of the distribution of cash dividends amount on the day before the effective date of contract adjustments(i.e. ex-dividend date), it will be corrected in the regular session on the effective date of contract adjustments(i.e. ex-dividend date).

● Those involve changing ticker symbol (such as distribution of stock dividends, cash capital increase, capital reduction, merger, etc.)

✓ Contract adjustment method: change the ticker symbol, adjust the underlying assets and the futures opening reference price.

✓ Effective time: the contract adjustment will still be made in regular session on the effective date of contract adjustments, and the trading will be suspended in the after-hours session preceding the effective date of contract adjustments.

■ The handling method and timing of various spot market events for single stock futures included in after-hours session.

Spot Market Events	Futures Markets	
	Handling Method	Effective Time
Small Market Capitalization, Poor Stock Liquidity, Non-surviving Stock after a Merger, Stock Suspension of Margin Financing and Securities Lending, a Change of Trading Method	Suspension of the Listing of New Contract Months	Same as Current, effective in regular session

Spot Market Events	Futures Markets	
	Handling Method	Effective Time
Trading Suspension of Stock	Trading Suspension of Single Stock Futures	<u>From the after-hours session preceding the trading suspension date of stock</u>
Trading Resumption of Stock	Trading Resumption of Single Stock Futures	Same as Current, effective in regular session of the trading resumption date of stock
Delisting of Stock	Delisting of Single Stock Futures	Same as Current, all contract months will end in the regular session of the final trading day

- Trading halts during after-hours session due to the material news announcement by the issuer of the underlying securities
 - When TWSE announces the trading halt of the underlying securities or when the issuer of the underlying securities applies to TWSE to convene a press conference to explain material news after 17:00 (inclusive), TAIFEX will follow the procedures to halt the trading of the single stock futures until the close of after-hours session upon receipt of such information.
 - The halt time is subject to the TAIFEX's announcement. During the trading halt, the TAIFEX stops accepting trading orders, and trading orders that have not been executed prior to the halt shall be invalidated.
 - Information disclosure
 - ✓ TAIFEX real-time snapshot quotes(<https://mis.taifex.com.tw/futures/>)
 - ✓ TAIFEX website(<https://www.taifex.com.tw/enl/eIndex>)
Home > Market Data > Information of Trading Halt of Single Stock Futures and Equity Options > Information of Night Trading Halt of Single Stock Futures
- For after-hours session eligible single stock futures, when the aggregate number of

shares represented by the open positions of the single stock futures and options in the same underlying security after close of the regular trading session exceeds 15% of the total number of outstanding shares of the underlying security, TAIEX will impose restriction on orders that would open new positions for all related contracts, and when it falls below 12%, TAIEX will lift such restriction, all starting from orders are accepted of after-hours session (i.e. 17:15).

Clearing : mainly the same as current practices, but note the followings.

- The adjustment procedure of single stock futures contracts in the after-hours session
 - If single stock futures are traded in the after-hours session and the issuer of the underlying securities is making a distribution of cash dividends. TAIEX will produce a list indicating the adjustments in terms of addition to long equity value and deduction from short equity value based on positions of the regular trading session on the business day before the effective date. The lists will be produced at 15:30 (contract closing at 13:45) and 16:30 (contract closing at 16:15).
 - FCMs should make the adjustments in terms of addition to long equity value and deduction from short equity value based on the lists and the contract adjustments prior to the after-hours session.
- Single Stock Futures contracts are designated as one of the products exempted from liquidation on behalf of a principal in the after-hours session. If an account's equity falls below the maintenance margin during the after-hours session and retains only open positions in products exempted from liquidation on behalf of a principal, the FCM will not issue a high-risk account notification. Furthermore, if the risk indicator drops below the FCM's standard for initiating liquidation on behalf of the principal, the FCM will not execute the liquidation process for such products.

- Margining Requirement for Single Stock Futures = Futures Price × Multiple of Contract × Margin Rate. The futures price during the after-hours session is calculated based on the daily settlement prices from the previous regular trading session. If single stock futures contract adjustments take effect during the after-hours session, the margin is calculated based on the opening reference price for the current trading session.
- When the underlying securities of after-hours session eligible single stock products disposition measures are adopted by Taiwan Stock Exchange (or Taipei Exchange) for Announcement or Notice of Attention to Trading Information and Dispositions, the required margin level will be raised to 1.5x, 2x, or 3x. New margin level will apply at the close of regular session on the next business day following the day on which the disposition in securities market takes effect.