

Adding Single Stock Futures to the After-hours Session

Dec, 2023



Outline



- ⑦ Purpose
- ⑦ Listed Products and Trading Hours
- ⑦ New Trading Practices Due to Single Stock
Futures Characteristics
- ⑦ Clearing

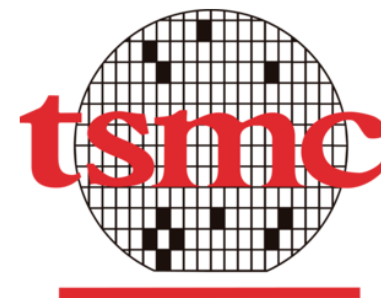
Purpose

- ⑦ In order to provide investors with a comprehensive hedging channel and more trading opportunities, TAIFEX continue to add products to after-hours session according to market demand.
- ⑦ 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.
- ⑦ 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.

Listed Products and Trading Hours

■ Listed Products :

- TSMC Futures(CDF)
- Mini-TSMC Futures(QFF)



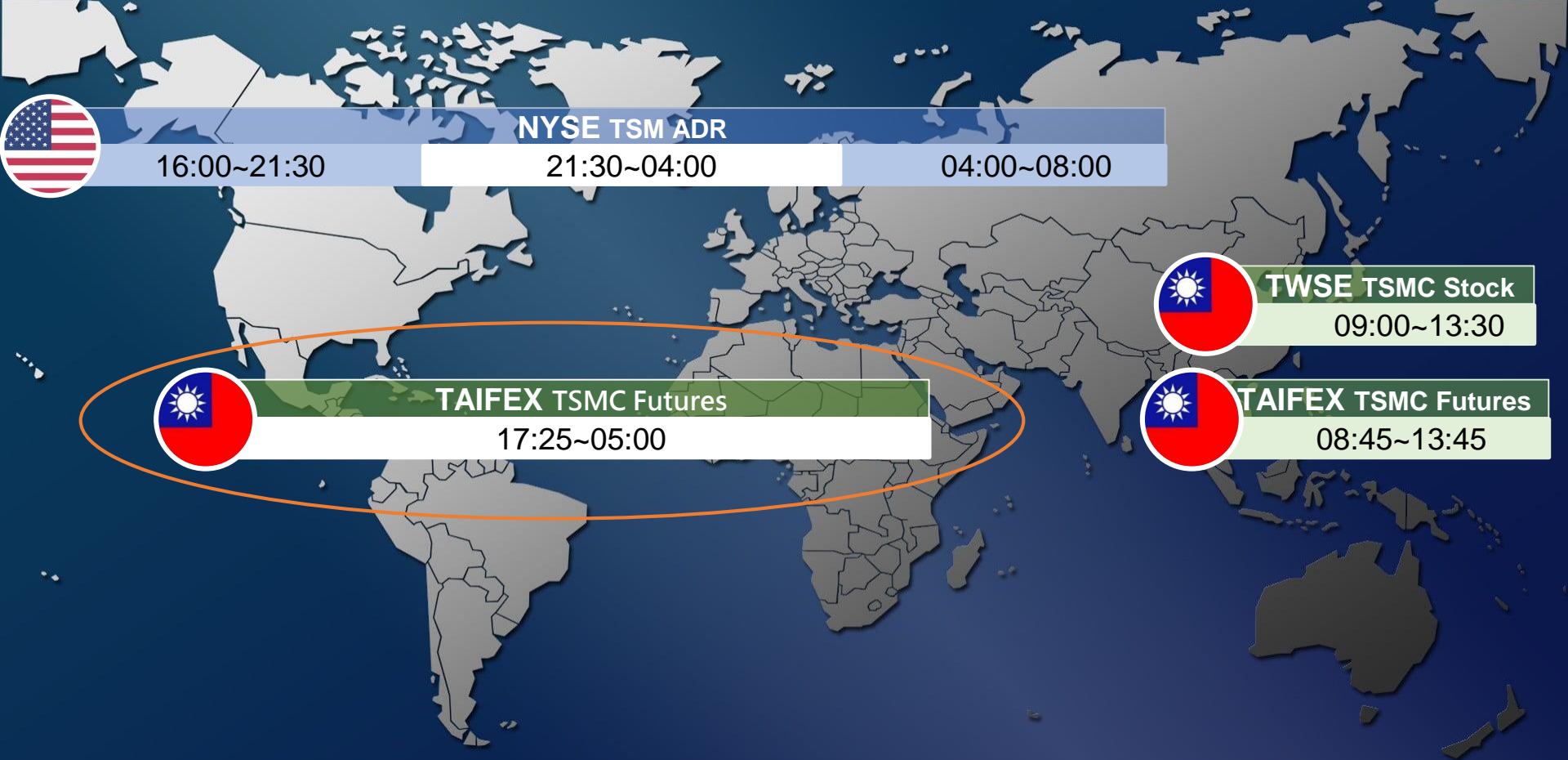
■ Trading Hours

- Day session : 8:45~13:45
- After-hours session : 17:25~05:00 the following day
(orders accepted 10 minutes prior to the session' s open, and may not be changed or canceled in the last two minutes, only added)

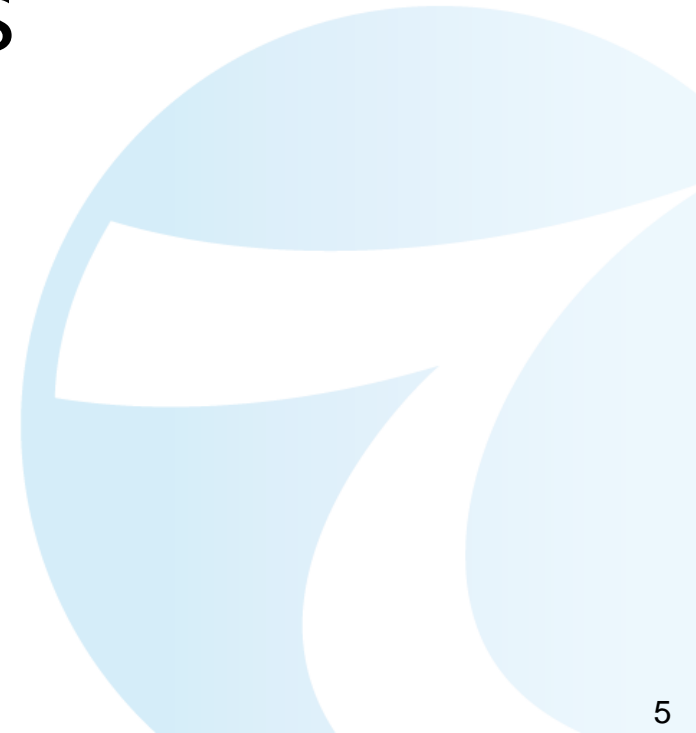
Link to Global Trading Hours



15 16 17 18 19 20 21 22 23 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14



New Trading Practices Due to Single Stock Futures Characteristics



Practices of Night Trading In Response To Contract Adjustments

- Timing and handling method for single stock futures included in after-hours session to adjust the contract in accordance with corporate actions
 - 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
 - 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

Practices of Night Trading In Response To Spot Market Events

- 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
Trading Suspension of Stock	Trading Suspension of Single Stock Futures	From the after-hours session preceding the trading suspension date of stock
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

Contract Adjustment Sample-- Distribution of Cash Dividends

- Sample: Taiwan Semiconductor Manufacturing Co., Ltd. pays cash dividend on June 15th(ex-dividend date), \$3 per share. The daily settlement price of CDF June contract on June 14th is \$592.
- Assuming CDF is eligible to night trading, the contract adjustment will be made in the after-hours session preceding the ex-dividend date (i.e. after-hours session begins on June 14th).
- Contract adjustment method : adjust opening reference price and adjust the buy-side and sell-side equity amount.

6/14	6/15 (ex-dividend date)	Items	Post Contract Adjustment
Day session	Day session The original contract adjustment will take effect before the market opens on 6/15	Ticker symbol	CDF(remains the same)
Night session (1)The contract adjustment will take effect before the market opens on 6/14 night session (2)Remains trading	Night session ←	Opening reference price	589(=592-3)
		Underlying asset	2,000 of ex-dividend TSMC stock
		Contract value	CDF futures price x 2,000
		Equity adjustment	Buy-side equity addition : + \$6,000 (\$3x2,000 shares) Sell-side equity deduction : - \$6,000 (\$3x2,000 shares)

Contract Adjustment Sample– Trading Suspended in the After-hours Session

■ Example : Capital Reduction

- AA company conducts a capital reduction in connection with return of share capital and the capital reduction share exchange rate is 0.8 (i.e. 2,000 shares are replaced with new 1,600 shares). \$2 is returned per shares. From June 6th to June 14th stops trading and June 15th resumes trading.
- AA futures(AAF) contract adjustments same as current, effective on June 15th. Trading will be suspended from the after-hours session that begins on June 5th until June 15th when AA stocks resume trading.

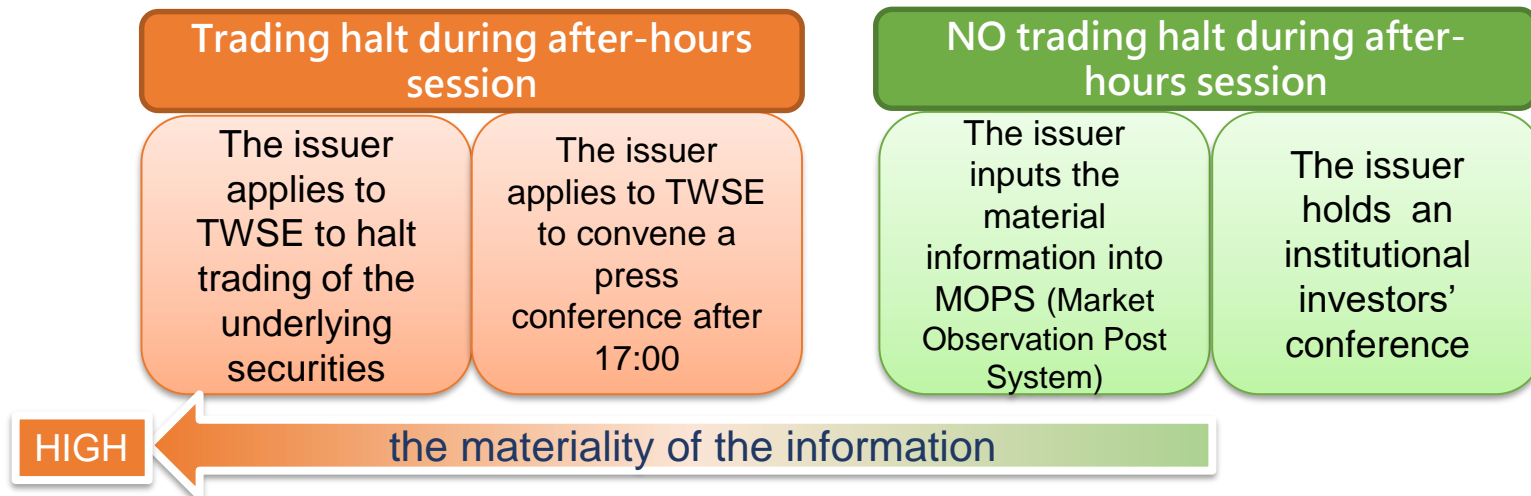
■ Example : Distribution of Stock Dividends

- BB company pays stock dividends on June 15th, 0.05 shares per share.
- BB futures(BBF) contract adjustments same as current, effective on June 15th. Trading will be suspended in the after-hours session that begins on June 14th

	6/5	6/6	6/14	6/15 (ex-rights date)
Day session		Non-tradable AAF	Non-tradable AAF	Contract adjustment : AAF and BBF
After-hours session	Non-tradable AAF	Non-tradable AAF	Non-tradable AAF and BBF	

Practices of Night Trading In Response To Material News Release

- When the issuer of the underlying securities is about to release material news, in the interests of a fair and orderly market and to protect investors, TAIFEX may halt trading of the single stock futures during the after-hours session.
- According to Taiwan Stock Exchange Corporation (TWSE) "Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" , there are different ways to handle the information depending on the materiality of the information. In order to ensure consistent management of material information in the futures and securities markets, the after-hours session will be halted according to the handling method of the securities market.



Practices of Night Trading In Response To Material News Release(Cont.)

Scenario	Halt time	Example
TWSE announces the trading halt of the underlying securities	<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ❑ At 8:03 p.m. on June 26th, TWSE announces that trading in AA stocks will be halted on June 27th. In addition, trading of AA stocks will be resumed on June 28th. ❑ Taifex halts AA futures night trading in accordance with the procedures upon receipt of the information. Day and night trading sessions on June 27th are also halted until the resumption of trading on June 28th.
The issuer of the underlying securities applies to TWSE to convene a press conference after 17:00	<ul style="list-style-type: none"> ➤ The halt time is subject to the TAIFEX's announcement 	<ul style="list-style-type: none"> ❑ TAIFEX knows that AA company is about to hold a press conference at 6:30pm on June 26th. TAIFEX will halt AA futures night trading according to the procedure after being informed.. ❑ On June 27th, AA stocks will be normally traded and AA futures will be normally traded as well.



- Sends messages to notify market
- TAIFEX real-time snapshot quotes (<https://mis.taifex.com.tw/futures/>)

- Stops accepting trading orders
- Trading orders that have not been executed prior to the halt shall be invalidated

Information Disclosure

- Home > Market Data > Information of Trading Halt of Single Stock Futures and Equity Options > Information of Night Trading Halt of Single Stock Futures

Information of Trading Halt of Single Stock Futures and Equity Options

Information of Trading Halt of Single Stock Futures and Equity Options

Start Date : End Date :

SecurityCode : Query

Period : 2025/4/14~2025/4/14

Security Code : All

Serial Number	Ticker Symbol	Stock Code	Trading Halt Date	Halt Time
1	CD	2330	2025/4/14	18:00:00
2	QF	2330	2025/4/14	18:00:00

Trading halt date and time

Real-time snapshot quotes

Home / After Hours Trading Session / Stock Futures & Options Quotes / Futures Snapshot Quotes

Symbol v

Expiration v

Export to excel

TAIEX 17,202.40(17.49) High 17,246.77 Low 17,131.45 Total Vol: 636,702

Contract	Status	Bid	Bid_V	Ask	Ask_V	Price	Change	Change%	Vol	Open	High	Low	Ref.	Time
2330		--	--	--	--	--	--	--	--	--	--	--	--	--
CDF 045	TH	--	--	--	--	581	-2	1.20%	1,800	582	585	578	583	17:59:15
CDF 055	TH	--	--	--	--	584	-1	1.03%	3,349	583	587	581	585	17:58:59
CDF 065	TH	--	--	--	--	586	-2	0.68%	131	587	588	584	588	17:36:09
CDF 095	TH	--	--	--	--	587	-3	0.34%	13	588	588	586	590	17:27:21
CDF 125	TH	--	--	--	--	589	-2	0.68%	99	589	591	587	591	17:44:59

Status: TH

Orders that have not been executed prior to the halt shall be invalidated.

Clearing



Process of Clearing (1)

■ Daily/Expiration Date Settlement Process

(the same as other contracts traded in the after-hours session)

- The settlement process of single stock futures contract only process on regular trading session.

■ Position Handling and Balance Calculating Process

(the same as other contracts traded in the after-hours session)

- The positions of single stock futures traded in the after-hours session will be included into the positions of the regular trading session.
- The application of position handling on the after-hours session shall be included into the following regular trading session
- FCM may query the trading contracts during the after-hours session and the balance of position during the regular trading session via Message Transport System.



Process of Clearing (2)

- The Adjustment Procedure of Contracts (the same as ETF futures)

Scenario	Not trade in the after-hours session	Trade in the after-hours session
Cash dividend	<ol style="list-style-type: none"> 1. The lists are produced at 17:00 on the business day before the effective date 2. The adjustments in terms of addition to long equity value and deduction from short equity value take effect before the opening of regular trading session on the effective date 	<ol style="list-style-type: none"> 1. The lists are produced in advance at <ul style="list-style-type: none"> ✓ 15:30 (contract closing at 13:45) ✓ 16:30 (contract closing at 16:15) 2. The adjustments take effect before the opening of after-hours session on the business day before the effective date
Stock dividend, cash capital increase, consolidation, capital reduction	<p>The adjustment items such as ticker symbol and contract size are set around 17:00 on the business day before the effective date. The adjustments take effect before the opening of regular trading session on the effective date.</p>	

TAIFEX Risk Control for Clearing Members

■ Order Management Procedure (the same as ETF futures)

- The same as the regular session. The required clearing margin of new orders of the clearing member shall not exceed its excess margin.
- The restriction of adding new positions: The required clearing margin for newly added positions of a clearing member exceeds the total amount of its excess clearing margin plus an amount up to 20% of the excess clearing margin at the deadline for depositing the post-trading margin call for the regular trading session.

■ Profit and Loss Calculation during the after-hours session (the same as ETF futures)

- Single stock futures are designated as one of the products exempted from liquidation on behalf of a principal in the after-hours session.
- Profit and Loss for daily transactions and open positions are both calculated based on **the opening reference price** of the after-hours session.

FCMs Risk Control for Clients (1)

- Designated as products exempted from liquidation on behalf of a principal in the after-hours session

New Order	A FCM adopts the marked-to-market approach to calculate gains/loss and excess margins of the trader.
Account's Equity < Maintenance Margin	<p>If the <u>account only retains open positions in products exempted from liquidation on behalf of a principal,</u></p> <ul style="list-style-type: none"> ✓ FCM will not issue a high-risk-account notification
Risk Indicator < 25%	<p>If the <u>account only retains open positions in products exempted from liquidation on behalf of a principal,</u></p> <ul style="list-style-type: none"> ✓ FCM will not execute the liquidation process on such products

Products Exempted from Liquidation

FCMs Risk Control for Clients (2)

■ Margin Requirement

- Margining requirement during the after-hours session for Single Stock Futures =
Daily Settlement Prices × Multiple of Contract × Margin Rate

Group	Clearing Margin Rate	Maintenance Margin Rate	Initial Margin Rate
Group 1	10.00%	10.35%	13.50%
Group 2	12.00%	12.42%	16.20%
Group 3	15.00%	15.53%	20.25%

- ✓ For single stock futures with risk parameters greater than 15%, TAIFEX will round up the actual computation result to the nearest hundredth and the rounded value will be used for clearing margin level.
- ✓ The maintenance margin and initial margin level will be calculated by adding a required mark up to the clearing margin level.
- 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.

■ Margin Adjustment

- Margin adjustment takes effect after the close of the next regular session following the announcement date.
- Adjusted margin applies to open positions remaining after the close of regular session for the day, as well as to new orders placed in the day's after-hours session.



TAIFEX

