

One Session Options on Australian 3 and 10 Year Treasury Bond Futures

Interest Rate Derivatives

One Session Options are European style options that are valid for one trading session only, expiring prior to the start of the next trading session.

The Overnight One Session Options (Australian night) were launched in 1993 and in 2002 the Intra-day One Session Options were launched for the day session (Australian day).

One Session Options are approved for trading by:

- US Commodities Futures Trading Commission (CFTC)
- UK Financial Services Authority (FSA)
- Monetary Authority of Singapore (MAS)
- Hong Kong Securities and Futures Commission (SFC Hong Kong)

Benefits

One Session Options on 3 Year and 10 Year Treasury Bonds are cost effective and flexible tools for market users. Specifically they can be used for:

- **Managing short-term exposure:** protecting interest rate positions against short-term price movements
- **Hedging positions from event risk:** such as that associated with official cash rate announcements or economic data releases
- **Outright trading:** profiting from anticipating short term price movements (or the lack of) in the interest rate market
- **Strategy trading:** used for options strategies such as straddles and strangles
- **Putting the equivalent of a stop loss order in place:** by providing a firm exit price in the event of a market decline (rise) if a trader has a bought (sold) position in the market.

Features

- Overnight Options trading begins at the start of the night session (5.10pm) and ceases at the end of the night session (7.00am during US daylight savings time and 7.30am during non-US daylight savings time).
- At the start of the next night session new Overnight Option contracts are listed.
- Intra-day Options trading begins at the start of the day session (8.30am) and ceases prior to the close of the day session, at 4.10pm. At the start of the next day session new Intra-day Option contracts are listed.
- Overnight and Intra-day Options are available on the 3 Year and 10 Year Treasury Bond Futures spot quarter month contracts.
- Exercise prices are set at intervals of 0.01 per cent per annum. The Option premium is quoted in yield per cent per annum in multiples of 0.005 per cent.
- All in-the-money One Session Options are automatically exercised at expiry. Exercise of the options results in the holder receiving a futures position at the options strike price. All at-the-money and out-of-the-money One Session Options expire worthless.
- No initial margin is required for One Session Options. However, normal margin requirements will apply if an option is exercised, resulting in a futures position.

For information on the pricing of the 3 and 10 Year Treasury Bond Futures contracts please see the Interest Rate Derivatives Price and Valuation Guide located at [Interest Rate Derivatives Price and Valuation Guide](#).¹

¹ asx.com.au/interest-rate-price-and-valuation-guide

Benefits of Exchange Traded Markets

Trading on ASX 24 offers the following specific benefits of exchange traded markets, such as:

- Price transparency and liquidity
- Immediate execution and confirmation
- Reduction of counterparty risk
- Centralised clearing supported by a clearing guarantee.

Contract Specifications

	ONE SESSION OPTIONS ON 3 YEAR TREASURY BOND FUTURES	ONE SESSION OPTIONS ON 10 YEAR TREASURY BOND FUTURES
Commodity Code	Intra-day Options YD Overnight Options YO	Intra-day Options XD Overnight Options XO
Option Style	European	European
Contract Unit	One unit of 3 Year Treasury Bond Futures contract for a specified contract month on ASX 24.	One unit of 10 Year Treasury Bond Futures contract for a specified contract month on ASX 24
Minimum Price Movement	Quoted in yield per cent per annum in multiples of 0.005 per cent.	As for One Session Options on 3 Year Treasury Bond Futures contract.
Exercise Prices	Set at intervals of 0.01 per cent per annum yield.	As for One Session Options on 3 Year Treasury Bond Futures.
Contract Expiry	Intra-day Options At 4.10pm in the NTP session in which the contract was listed for trading. Overnight Options At the cessation of each NTP session.	As for One Session Options on 3 Year Treasury Bond Futures contract.
Last Day of Trading	Intra-day Options The business day prior to the last day of trading in the underlying futures contract. On the last day of trading of the underlying futures contract put and call options will be listed on the next quarter month. Overnight Options The business day prior to the last day of trading in the underlying futures contract.	As for One Session Options on 3 Year Treasury Bond Futures contract.

Contract Specifications

	3 YEAR TREASURY BOND FUTURES	OPTIONS ON 3 YEAR TREASURY BOND FUTURES
Settlement Method	<p>All options, which are in-the-money, are automatically exercised. Exercise of an option results in the holder receiving a futures position at the options strike price. The weighted average of trade prices shall be calculated to 4 decimal places and rounded to the nearest multiple of 0.005; if the 3rd and 4th decimal places are 2 and 5 or 7 and 5 respectively, the weighted average shall be rounded to the next highest multiple of 0.005.</p> <p>Intra-day Options</p> <p>The settlement price is the weighted average of trade prices executed in the underlying futures contract between 4.15pm and 4.25pm.</p> <p>(Excludes any Exchange for Physical (EFP), Custom Market and intra and inter-commodity spread trades)</p> <p>Overnight Options</p> <p>The settlement price is the weighted average contract of trade prices executed in the underlying contract between 8.30am and 8.40am on the business day immediately following the NTP session. (Excludes any Exchange for Physical (EFP), Custom Market, intra and inter-commodity spread trades and any trades that occur during the Levelling Phase).</p>	<p>All options, which are in-the-money, are automatically exercised. Exercise of an option results in the holder receiving a futures position at the options strike price. Calculation of the settlement price is to four decimal places and rounded to the nearest multiple of 0.005 per cent. When rounding, if the third and fourth decimal places are two and five or seven and five respectively, the weighted average of trade prices is rounded up to the next highest multiple of 0.005 per cent.</p> <p>Intra-day Options</p> <p>As for Intra-day Options on 3 Year Treasury Bond Futures contract.</p> <p>Overnight Options</p> <p>The settlement price is the weighted average contract of trade prices executed in the underlying contract between 8.32am and 8.42am on the business day immediately following the NTP session. (Excludes any Exchange for Physical (EFP), Custom Market, intra and inter-commodity spread trades and any trades that occur during the Levelling Phase).</p>
Trading Hours ²	<p>Intra-day Options 8.30am to 4.10pm</p> <p>Overnight Options 5.10pm to 7.00am (during US daylight saving time) 5.10pm to 7.30am (during US non daylight saving time)</p>	<p>Intra-day Options 8.32am to 4.10pm</p> <p>Overnight Options 5.12pm to 7.00am (during US daylight saving time) 5.12pm to 7.30am (during US non daylight saving time)</p>

² Unless otherwise indicated, all times are Sydney times. US daylight saving begins second Sunday in March and ends first Sunday in November. For full contract specifications refer to asx.com.au/interest-rate-derivatives

Data Vendor Access Codes³

	3 YEAR BOND OVERNIGHT OPTIONS	3 YEAR BOND INTRA DAY OPTIONS	10 YEAR BOND OVERNIGHT OPTIONS	10 YEAR BOND INTRA DAY OPTIONS
ASX 24 Code	YO	YD	XO	XD
Bloomberg	OKA<CMDTY>	YYA<CMDTY>	OAA <CMDTY>	XDA <CMDTY>
Interactive Data	YOmytypestrike	YDmytypestrike	XOmytypestrike	XDmytypestrike
Reuters	0#YYOmy+	0#YYDmy+	0#YXOmy+	0#YXDmy+
SIX Telekurs	3,YOymcstrike,359	3,YOympstrike,359	3,YDymcstrike,359	3,YDympstrike,359
Thomson Financial	YO/YYM/Strike	YD/YYM/Strike	XO/YYM/Strike	XD/YYM/Strike


Further information:


For further information on Packs and Bundles, or any ASX Interest Rate Derivatives products, please contact:

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³ Data vendor codes are current as at January 2017. A current list of codes is available at asx.com.au/interest-rate-derivatives