

## Listing of the Third near-term Delivery Month for Domestic Equity Index Futures

### Q&A

**Q1: What's the difference of adding the third delivery month for domestic equity index futures?**

A1: Currently TAIEX lists 2 near-term expiration months along with 3 quarterly expiration months in the March cycle ( March , June, September, and December)for local equity index futures, meaning a total of five contracts are listed and traded concurrently. In order to provide investors with a wider range of delivery months, TAIEX plans to list the third delivery month for local equity index futures. As a result, there will be a total of six delivery months listed and traded concurrently for local equity index futures, including the spot month, the next two calendar months, and the following three quarterly months in the March cycle.

Delivery Months	Spot months			Quarterly months		
	The spot month	The next calendar month	The second next calendar month	The first quarterly month	The second quarterly month	The third quarterly month
Now	✓	✓		✓	✓	✓
After July 2, 2018	✓	✓	New	✓	✓	✓

**Q2: An example of listing the third near-term delivery month for domestic equity index futures.**

A2: On 29 June, 2018, the delivery months of TAIEX futures are 201807 、 201808 、 201809 、 201812 and 201903. After TAIEX lists the third near-term delivery month for local equity index futures on 2 July, 2018, the

delivery months of TAIEX futures will be 201807、201808、201809、201812、201903 and 201906.

**Q3: What are the domestic equity index futures that TAIEX plans to list the third near-term delivery month?**

A3: All domestic equity index futures, including TAIEX Futures (TX), Mini TAIEX Futures (MTX), Electronic Sector Index Futures(TE), Finance Sector Index Futures(TF), Non-Finance Non-Electronics Sub-Index Futures(XIF), Taiwan 50 Futures(T5F) and Taipei Exchange Stock Index Futures(GTF) will list the third near-term delivery month.

**Q4: What are the advantages of listing the third near-term delivery month for domestic equity index futures?**

**A4:(1) Allows investors to implement more precise trading and hedging strategies.**

Adding the third delivery month for local equity index futures will align delivery months with corresponding options. It helps investors to execute trading and hedging strategies more precisely.

**(2) Provides more opportunities to deploy calendar spread strategies of index futures.**

Adding the third delivery month for local equity index futures will cover longer duration and allow investors to deploy calendar spread strategies.

**(3) Increases the liquidity of futures and options.**

The new measure allows market makers to hedge more precisely and therefore they can offer more competitive quotes, to increase market liquidity.

**(4) Facilitates the implementation of dynamic price banding mechanism for options.**

The real-time futures price is one of the most important factors used to determine the theoretical price of options. When delivery months of the local equity index options align with those of corresponding futures, the futures prices could serve as reference prices for the real-time valuation of options and facilitate the implementation of dynamic price banding mechanism for options.