Taiwan Futures Exchange Corporation Trading Rules for Micro Taiwan Stock Exchange Stock Index Futures Contracts

Article 1
These Rules are adopted to maintain orderly trading of Micro TAIEX Futures Contracts ("the Contracts") on the Taiwan Futures Exchange ("TAIFEX"), to ensure security and fairness in trading the Contracts.

Article 2
Futures commission merchants that engage in trading of the Contracts shall observe these Trading Rules in addition to the Futures Trading Act and applicable acts and regulations. Matters on which these Trading Rules are silent shall be handled in accordance with the applicable bylaws and rules, public announcements, and circulars of the TAIFEX.

Article 3
The Contracts are abbreviated as "Micro TAIEX Futures" with the ticker symbol "TMF".

Article 4
The underlying index of the Contracts is the Taiwan Stock Exchange Capitalization Weighted Stock Index (hereinafter, the "Index"). Matters related to the Index calculation formula, constituents, base date, and adjustments thereto shall be as prescribed by the Taiwan Stock Exchange Corporation ("TWSE").

Article 5
The value of each contract shall be 10 New Taiwan Dollars multiplied by the index point of Micro TAIEX Futures.

Article 6
The minimum unit of price fluctuation ("tick") in trading orders for the Contracts shall be one index point. Each tick shall have a value of 10 New Taiwan Dollars.

Article 7
Prior to closing of the last trading day, a trader may settle rights and obligations under the Contracts by selling or buying back on the TAIFEX centralized exchange market part or all of the quantity originally bought or sold.

Article 8
The trading days of the Contracts are the same as business days of the TWSE. The trading hours for the Contracts are as follows:

1. Regular trading session: from 8:45 am to 1:45 pm. On the last trading day of the month in which the Contracts reach expiration, the trading hours are 8:45 am to 1:30 pm.
2. After-hours trading session: from 3 pm to 5 am of the following day.

However, if the TAIFEX has made other provisions, those provisions shall prevail.

When for any reason the TWSE announces a halt of trading prior to market opening of the Contracts, or when other factors influence trading of the Contracts, trading of the Contracts may be halted; when the TWSE announces a halt of trading during trading hours of the Contracts, trading of the Contracts shall still continue. As necessary, however, the TAIFEX may announce a halt of trading based on the current situation, and report the halt to the competent authority for recordation on the next business day.

When the TWSE changes its trading hours, or when other factors affect trading of the Contracts, or in response to a suggestion by a futures industry association or the National Federation of Futures Industry Associations, the TAIFEX may change the trading hours for the Contracts after reporting to the competent authority for approval.

Article 9

The delivery months for the Contracts shall be the spot month and the next two calendar months, and the next three quarter months of the March, June, September, and December cycle, for a total of six periods, listed and traded concurrently. The last trading day is the third Wednesday of the delivery month of the Contracts. Trading of the Contracts at expiry shall cease at the close of the regular trading session on the last trading day, and the last trading day shall be the final settlement day for the Contracts at expiry.

If the last trading day referred to in the preceding paragraph falls on a holiday or if trading cannot proceed on that day due to a force majeure event, or if the TAIFEX has made other provisions, the next business day shall be the last trading day.

Trading in a new delivery month shall commence from the regular trading session of the next business day following the last trading day of an expiring month Contract.

The TAIFEX may change the delivery months, initial trading days, last trading days, and final settlement days referred to in the preceding three paragraphs as it deems necessary after reporting to and receiving approval from the competent authority.

Article 10

Orders for buying and selling the Contracts, unless otherwise provided, shall be matched automatically by computer. Matching shall be done by call auction at market opening, followed by continuous trading during market hours.

Article 11

Open positions held by traders are marked-to-market daily after the close of the regular trading session based on the daily settlement price published by the TAIFEX.

The daily settlement price referred to in the preceding paragraph shall be the same as that for the TAIEX Futures.

For traders holding open positions in the Contracts for various delivery months, five of the Contracts may be offset against one Mini-TAIEX Futures contract for the same delivery month and twenty of the Contracts may be offset against one TAIEX Futures contract for the same delivery month.

Article 12
The price limit for each trading session of the Contracts shall be 10 percent above and 10 percent below the daily settlement price of the preceding regular trading session.

Article 13
The final settlement price of the Contracts shall be set based on the simple average price of the underlying index during the 30 minutes of trading before the TWSE market close on the final settlement day. If the TWSE postpones market closing or matching, the TAIFEX may extend the aforementioned 30-minute sampling time.

The calculation method under the preceding paragraph shall be separately prescribed by the TAIFEX.

Article 14
The Contracts shall be settled in cash with the trader delivering or receiving the net amount of the price differential in cash on the final settlement day based on the final settlement price.

Article 15
A futures commission merchant engaging in brokerage trading of the Contracts, prior to accepting an order, shall first collect a sufficient trading margin based on the aggregate total of the brokerage trading order, and from the date of the trade until the expiry of the settlement period, shall mark to market on a daily basis the balance of equity in the positions held by each principal based on the daily settlement price, and credit the aggregate total to the balance of the margin account of the client.

When during the regular trading session the balance in a principal's margin account is lower than the required maintenance margin, the futures commission merchant shall immediately notify the principal to deposit cash funds within a specified time frame sufficient to cover the difference between the balance in the margin account and the total amount of the trading margins required for the principal's open positions. If a principal fails to make the deposit within the prescribed time limit, the futures commission merchant may offset the positions on the principal's behalf.

The trading margin and the maintenance margin referred to in the preceding two paragraphs may not be lower than the publicly announced TAIFEX standard for the initial margin and the maintenance margin.

The initial margin and maintenance margin announced by the TAIFEX shall be based on the clearing margin calculated according to the Taiwan Futures Exchange Corporation Methods and Standards for Receipt of Clearing Margins plus a percentage prescribed by the TAIFEX.

Article 16
The total open positions in the Contracts, after translation by the one-to-twenty contract scale, held on either the long or short side of the market at any time by a futures trader, combined with the total open positions on the same side of the market in the Mini-TAIEX Futures and the Mini-TAIEX Flexible Futures, after translation by the one-to-four contract scale, as well as the total open positions on the same side of the market in the TAIEX Futures, shall not exceed the limits publicly announced by the TAIFEX.

Every three months, or as occasioned by market conditions, the TAIFEX shall announce the applicable position limit standards under the preceding paragraph, according to the levels given below, based on the higher of the daily average trading volume or open interest of the Contracts, after translation by the one-to-twenty contract scale plus the Mini-TAIEX Futures and the Mini-TAIEX Flexible Futures after translation by the one-to-four contract scale and the TAIEX Futures during that period, with the benchmark set at 5 percent thereof for individuals and 10 percent thereof for institutional investors. However, the lowest position limit shall be 1,000 contracts for individuals, and 3,000 contracts for institutional investors:

1. When the benchmark is 1,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 200 contracts.
2. When the benchmark is 2,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 500 contracts.
3. When the benchmark is 5,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 1,000 contracts.
4. When the benchmark is 10,000 or more contracts, the position limit is the benchmark rounded down to the nearest integral multiple of 2,000 contracts.

The position limit for a proprietary trader for the Contracts shall be three times the position limit for an institutional investor set out in paragraph 2. The TAIFEX, however, may adjust this limit for market makers for the Contracts as it deems necessary in view of market conditions.

When the TAIFEX examines the applicable position limit levels, if the increase or decrease in the daily average trading volume or open interest for the period, as compared to that at the time of the previous adjustment, does not exceed 2.5 percent, no adjustment shall be made even if the level for adjustment has been reached.

Any raising of the position limit shall take effect from the regular trading session of the next trading day following the TAIFEX announcement. Any lowering of the position limit shall take effect from the regular trading session of the next trading day following the expiration of the next-nearest month contract that is already listed on the announcement date. The TAIFEX, however, may adjust this according to circumstances.

When a position limit is lowered under the preceding paragraph, a position held by a trader prior to the effective date that surpasses the lowered limit may be held until the expiration date of the Contracts, provided that no new position may be added until the lowered limit has been complied with.

Total open positions in the Contracts held in an omnibus account are not subject to the limits of paragraph 2, with the exception of undisclosed omnibus accounts which are subject to the limits for institutional investors.

An institutional investor may apply to the TAIFEX for relaxation of the limits on positions for hedging purposes.

In addition to the provisions of this article, the limits on open positions in the Contracts held by traders shall also conform to the Taiwan Futures Exchange Corporation Rules Governing Surveillance of Market Positions.

Article 17
A futures commission merchant engaging in proprietary or brokerage trading of the Contracts shall, unless otherwise provided, be subject to a limit of 100 contracts on the quantity of each trading quote.

The TAIFEX may make adjustments to the limit on the quantity of per order in the preceding paragraph in view of market trading conditions.

Article 18
Where any circumstance under Article 31 of the Operating Rules of the Taiwan Futures Exchange Corporation requires suspension of trading or delisting of the Contracts, the TAIFEX shall make a public announcement 30 days prior to implementation, with the exception of termination of the Index licensing agreement by the Index compiling institute, which results in suspension of trading or delisting of the Contracts.

All open positions shall be liquidated before the announced implementation date for the suspension of trading or delisting. Any positions still open on the implementation date shall be settled at the settlement price of the trading day preceding the implementation date.

Article 19
The Trading Rules and any amendments hereto shall be implemented following ratification by the competent authority.