

Manual for Trading of FX Options

This manual summarizes the key points on the structure, risks, etc. of FX options supported by Saxo Bank Securities Ltd. (SBS) (hereafter the “trading”), under voluntary regulations by the Financial Futures Association of Japan that SBS is associated with.

According to above regulations, the customer needs to submit the “Confirmation document relating to Option Trading” (hereafter “Confirmation Document”) after carefully reading this manual prior to commencement of the Trading. Upon receiving the Confirmation Document, SBS shall perform necessary process. It is not possible to engage in Trading until completion of the process. You are requested to send the Confirmation Document by post. When sending by post, you may use the Return post label as given in below URL.

<https://www.home.saxo/-/media/Documents/Regional/ja-jp/other-forms-and-documents/Address-Label-For-Return-Post.pdf>

This manual only explains the key points of Trading. In order to have complete explanation, please refer “Chapter 2: FX Options and Precious Metal Options” and “Chapter 6: Common Matters” of Trading Manual, and to understand about the method of using Trading platform, please refer “Method of using FX option board”. Please feel free to contact customer support for any questions.

■ Trading Manual

<https://www.home.saxo/-/media/documents/regional/ja-jp/faq/optionsetsumeisho.pdf?1a=ja=jp>

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<https://www.home.saxo/-/media/documents/regional/ja-jp/faq/option-kakuninsho.pdf?1a=ja=jp>

1. Basic Structure

(1) Target financial indices, etc.

The underlying assets for option trading shall be FX handled by SBS (FX margin trading). This option is European type, which can be exercised only upon maturity (however, this is limited to the case with intrinsic value).

(2) Setting of trade conditions

The customer can select the following items in the case of option trading.

- ① Maturity (exercise date)
- ② Exercise price (strike price)
- ③ Specification of sales order or purchase order
- ④ Order quantity

- ⑤ Exercise method: The method to exercise options can be selected in the case of in-the-money or at-the-money upon maturity. “Spot” means transition to the FX position as underlying assets and “cash” means net settlement.

(3) Order execution and Closing

The order shall be executed when the customer specifies trade conditions and then clicks the button of order execution. When a new order is executed, the customer shall retain open positions, and shall be able to close the positions by reversing trade.

2. Occurrence of Profit and Loss

Price for option trading (premium) fluctuates based on price movements for underlying assets, fluctuation in volatility, remaining period until maturity, and interest level; resulting in profit or loss to the customer. For details, please refer “Chapter 2: FX Options/Precious Metal Options” – [1] Fundamentals of Option Trading – 3. Trade Flow/5. Variable Factors of Premiums” of Trading Manual. The theoretical maximum profit and maximum loss shall be as follows, in the case of not settling by reversing trade (fees, etc. are not taken into consideration).

	Buy		Sell	
	Maximum profit	Maximum loss	Maximum profit	Maximum loss
Call option	Not limited	Equivalent to purchase fund	Equivalent to sales fund	Not limited
Put option				

3. Possible Expansion of Loss

Automatic liquidity cut will be executed when the margin usage rate reaches 100%. Depending on the situation, including the case of severe fluctuation in the price of the trade target as well as the case of decreased liquidity, settlement order may not be immediately agreed upon and settlement may be concluded in a condition where the loss amount exceeds the balance in customer’s account. Please refer “Chapter 6: Common Matters – [4] Automatic Loss Cut” of Trading Manual for details.

4. Midterm Cancellation and Settlement

There is no specific action corresponding to midterm cancellation in the case of option trading, but if open positions are within the trade time and trade period stipulated by SBS, they may be settled by reversing trade, based on the customer’s intention. Exercising of options may also be selected when certain conditions are met. Please refer “Chapter 2: FX Options and Precious Metal Options – [2] Method of Trading” of Trading Manual for details.