



The Stock Exchange of Thailand Group

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Questions about Thailand Futures Exchange (TFEX)

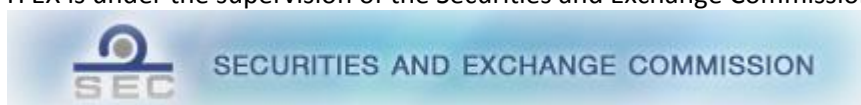
Question : Who is Thailand Futures Exchange (TFEX)?

Answer : Thailand Futures Exchange (TFEX) is a subsidiary of the Stock Exchange of Thailand (SET) and was established on May 17, 2004 as a derivatives exchange. TFEX is governed by the Derivatives Act B.E. 2546 (2003). is under the supervision of the Securities and Exchange Commission (SEC).

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Question : Who is the regulator of TFEX?

Answer : TFEX is under the supervision of the Securities and Exchange Commission (SEC).



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Question : What underlying assets is TFEX allowed to trade?

Answer : TFEX is allowed to trade Futures, Options and Options on Futures where the permitted underlying assets are:

- Equities: Index and Stocks
- Debt: Bonds and Interest Rate
- Commodities: Gold, Silver and Crude Oil
- Others: Exchange Rate and other as may be announce by the SEC



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Questions about products traded on TFEX

Question : How are futures different to stocks?

Futures vs Stocks

Answer : Stocks are issued by public company. When you buy stocks you own part of that public company. However, futures contract is designed by TFEX. Futures contract is a standardized contract between two parties to exchange a specified asset of standardized quantity and quality for a price agreed today with delivery occurring at a specified future date, the delivery date.

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Question : What is SET50 Index Futures?

SET50
INDEX
FUTURES

Answer : SET50 Index Futures is a futures contract to buy or sell SET50 Index at price agreed today with delivery occurring at a future date (3 months, 6 months, etc). SET50 Index futures is an index, so you cannot deliver the index at settlement. Therefore cash settlement is used.

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Questions : How is profit and loss calculated when trading SET50 Index Futures?

Answer : Let's use the following example:

On October 1st you long 1 contract of SET50 Index Futures at 600 points with 3 months to expiry. This means that on October 1st you have agreed to buy 1 contract of SET50 Index from the seller at 600 points where delivery will take place in 3 months. If on December 30th the price of SET50 Index closes at 630 points, you will have made a profit of 30,000 Baht ($630 - 600 = 30$ points, $30 \times 1000 = 30,000$).

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Question : Who do I contact if I want to trade SET50 Index Futures?

Answer : To trade futures, you must first open a futures account with your broker. Please visit our [website](#) to see the complete list of available broker.



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**Question :** How do I pay/receive my money when trading SET50 Index Futures?

Answer : When you trade futures, you do not need to pay the full amount. This is similar to a margin account when trading stocks. An initial margin will need to be deposited before each trade. Futures price will generally change daily, the difference in the prior agreed-upon price and the daily futures price is settled daily. The exchange will draw money out of one party's margin account and put it into the other's so that each party has the appropriate daily loss or profit. If the margin account goes below a maintenance margin level, then a margin call is made and the account owner must replenish the margin account. This process is known as marking to market.



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Question : What is the difference between the initial margin in futures and margin account for stocks?

Answer : When you trade stocks on a margin account, you borrow money from the broker to trade. This is different than the initial margin for futures. For futures, you have to deposit the initial margin to the broker which is usually set at roughly 10% of the notional value of the futures contract. At the end of each day, a process known as marking to market is conducted and profit and loss are either deposited or withdraw from your margin account.

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Question : What does "short" mean?

Answer : Shorting refers to taking a short position in futures contract. If today you decide to short 1 contract of SET50 Index Futures at 600 points with 1 month to expiry. Basically it means that you agreed with the buyer today to sell him/her 1 contract of SET50 Index at 600 points 1 month from now no matter what the SET50 Index price will be in a month time.

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Question : Do I have to hold my futures contract until the expiry date?

Answer : No. If you long 1 contract of SET50 Index Futures today with 2 months to expiry. You can close your position whenever you want by offsetting your position. In this case, you must short 1 contract of SET50 Index Futures.



Question : What are the underlying stocks available for stock futures?



Answer : Currently there are 30 Single Stock Futures. You can view the complete list [here](#).

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Question : What is the underlying of Gold Futures?



Answer : The underlying asset of Gold Futures is gold with a purity of 96.5%
You may view to full contract specification [here](#).



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Question : How is the final settlement of Gold Futures calculated?

Answer : On the last trading day, the following formula will be used to calculate the final settlement price.

London Gold AM Fixing x (15.244/31.1035) x (0.965/0.995) x (THB/USD)

You can get the London Gold AM Fixing from

<http://www.lbma.org.uk/stats/goldfixg>

The exchange rate used to calculate the final settlement price is from Thomson Reuters. You can view the Thai Baht PM Fixing at [TFEX website](#).



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Question : Why is the price of Gold Futures on TFEX different to the global gold market?

Answer : The price of Gold Futures traded on TFEX that you see is the price that investor expect or believe that gold will be worth at the expiry month. Therefore, price of gold futures do not necessary need to be the same as the global spot price.

For example, if John long 1 contract of gold futures on February 2nd, 2011 at 24,900 Baht where the expiry date is on February 26th, 2011. He must believe that on February 26th, the price of gold will be more than 24,900 Baht. Whereas the seller, or john's counterparty must believe that the price of gold on February 26th must be lower than 24,900 Baht. However in practice, the price of gold traded on February 2nd could be at 24,200 because this is the current (spot) price where delivery takes place now.

However, the price of gold futures at expiry date will converge to a spot price because the contract has expired and the futures price has become the spot price.



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Questions about trading procedure in TFEX



Question : What is Combination Order?

Answer : Combination Order is the simultaneous purchase and/or sale of two different series with the same underlying. Each combination series is pre-defined by TFEX as a combination strategy with two legs in TFEX. More information on combination order please click [here](#).



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Question : What is a Circuit Breaker?

Answer : Circuit Breaker is a system used by the exchange when the market is highly Volatile. TFEX will initiate a trading halt if prices reach certain level.



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Question : If I already have an account with a stock broker, can I use my current broker to trade futures?

Answer : You could use the same broker but you must open a separate futures account. Not all brokers have license to trade futures so you must consult your broker directly.



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Question : Does TFEX use the same price/time priority rules for order matching as the stock market?

Answer : Yes. TFEX uses the same Price/Time priority rules as the equity market for order matching. Price/Time priority refers to how orders are prioritized for execution. Orders are first ranked according to their price; orders of the same price are then ranked depending on when they were entered.





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Questions about Market Maker

Question : What is a Market Maker?

Answer : Market Maker competes for customer order flow by displaying buy and sell quotations for a guaranteed number of contracts and the bid/ask spread. In simple terms, a market maker is a bank or brokerage company that stands ready every second of the trading day with a firm ask and bid price. This is good for you, because when you place an order to sell 50 contracts of SET50 Index futures, the market maker will buy the futures, even if he doesn't have a seller lined up. In doing so, they are literally "making a market".

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Question : What is the benefit of being a Market Maker?

Answer : Market Makers must be compensated for the risk they take. In doing so, the Market Maker will receive a discount on the exchange fee.

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Question: How do I apply to be a Market Maker?

Answer: Thailand Futures Exchange (TFEX) will announce the period when they will accept application for Market Maker. Please check our website for the latest information.

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For further information please contact TFEX_admin@set.or.th