Circular No. 3521
Ref.: Options on Securities (codified text)

City of Buenos Aires, January 31, 2017

To: Our Member Brokers

There follows the set of rules for Options on Securities.

1. Options Definition

The contract by means of which a writer (seller) grants the buyer (holder), for a market price called "premium", the right to buy a fixed number of underlying securities (lot) at a fixed price known as "strike price".

2. Definitions

2.1. Call Options

Call options give buyer the right to buy a writer the underlying assets.

2.2. Put Options

Put options give buyer the right to sell a writer the underlying assets.

2.3. Underlying Assets

The securities included in the pertinent option contract.

2.4. Covered Call Writer

The call writer who guarantees performance in the event of options exercise by depositing the underlying asset. This is only applicable to call options.

2.5. Uncovered Call/Put Writer

The call/put writer who undertakes performance in the event of options exercise but does not deposit the underlying asset. This may be applicable to calls and is always applicable to puts.

2.6. Buyer

The option right owner, therefore, the only person who may exercise the option.

2.7. Premium

The market price of the call to be paid by buyer.

2.8. Option Lot

The fixed number of underlying assets for a specific Option. The minimum unit of trading.

2.9. Option Exercise

Exercising the option is the formal act by means of which buyer makes use of the acquired right through cash settlement.

2.10. Strike Price

The price at which buyer will have the right to buy or sell each of the underlying assets included in the Options Lot.

2.11. Expiration Date

The maturity date of the option. On the expiration date, no positions can be opened or closed for option series expiring thereon.

2.12. Option Series

Option Series refers to a group of options belonging to the same underlying asset and characterized by the same strike price and expiration date, within the same class (put or call).

2.13. Option Strategies

Option strategies involve the combination of puts or calls on the same underlying asset, and on the same number, made on behalf of one beneficial owner (comitente) by the same Member Broker. BYMA Guarantee System authorizes specific strategies, lowering margin requirements, in some cases.

Early cancellation of one of the positions implies the mismatch of the strategy and therefore turns the remaining position into an uncovered put/call, turning operating limits and margin requirements applicable thereto.

2.14. Position

The position is the resulting balance in nominal value of one or more options on the same series, made on behalf of one beneficial owner by the same Member Broker.

Based on said balance, it will be categorized as a short or long position, and based on the margin deposit in place, it will be categorized as a covered or uncovered position.

2.15. Combined Positions

A Member Broker´s Client (beneficial owner) will hold combined positions whenever the following conditions are met:

- Same option type (put or call) and different option classes (buyer, writer) on the same underlying asset.

- Same number of long and short positions in option lots of different series.

- A long position expiration date similar or following the short position expiration date.

Positions will not be considered combined in case margin requirements to be met are higher than margin requirements for uncovered positions, provided that operating limits will not be applicable hereon, pursuant to item 3.5.2 of this Circular.

2.16. Hedged positions

They combine options with authorized term transactions which imply hedged positions, made on behalf of a beneficial owner by the same Member Broker, on the same number and underlying asset.

2.17. Closing out option positions

Positions are closed out whenever option writers or buyers enter an opposite trade on a series, therefore, closing his position in full or in part, through the same member brokers.

2.18. Locked position

The formal act by means of which a writer interrupts the exercise, in whole or in part, of one or more option lots included in a recent close out of unassigned positions, which must be duly informed to BYMA within the pertinent disclosed Trading Hours.

3. Operating Rules

3.1. Options Trading

3.1.1. Options may only be traded on series expressly and duly authorized by BYMA.

New option series are enabled periodically, based on underlying assets price volatility.

3.1.2. Covered calls are authorized on Equity and Fixed Income Securities.

Uncovered puts/calls may include BYMA eligible securities, which are classified in the list of securities listed in BYMA Circular on "*Margin Requirements Table...*".

Uncovered put/calls are also authorized on other type of assets whenever they include an options strategy falling within the scope of BYMA guarantee system, as outlined in section 4.5 herein (Option Strategies available to lower margin requirements).

3.1.3. Put options obligations shall be met by buyer´s decision to exercise the option, to permit the option to expire or to sell the option back, by closing out positions.

3.1.4. BYMA will offer the following expiration dates for option series:

Equity: the third Friday or the immediately prior business day at even months (3 maturity dates as maximum). Additionally, BYMA may enable an expiration date at odd months (the nearest), at the third Friday or immediately prior business day.

Fixed Income Securities: every third trading business day prior to the end of the month.

3.1.5. Last trading session: session held on the business day immediately prior to the expiration date, at the time set for the first exercise of options, provided that all transactions will be available therein (position opening or close, and exercising options).

3.1.6. Closing Price: The Volume-Weighted Average Price (VWAP) of transactions registered in the last 10 (ten) minutes prior to the last trade registered for each option series.

3.1.7. Beneficial owners (Member Broker´s Clients) distribution and data correction.

The system allows for beneficial owner´s distribution through terminals located in Member Broker´s facilities. Modifications resulting from errors in security-related information included in orders must be immediately communicated to BYMA Settlement Department before 12:00 a.m. on the day following the pertinent transaction.

3.2. Settlement Cycles

Premiums: T+1 (24 hours)
Fixed Income Securities and Equity: T+3 (72 hours)
Exercise of Coupons: T+1 (24 hours)

3.3. Exercising options and lockout

3.3.1. Buyers may exercise options from the day the premium is settled until the immediately prior day to maturity. Open positions on the last day may be exercised within the timeframe set on BYMA Circular on Trading Hours.
Within the authorized time frame on the option expiry day, which takes place after regular trading hours, unexercised positions must be allocated.

Exercise instructions must be sent to BYMA through the communication channels provided for that purpose.

3.3.2 Where an exercise instruction is given, BYMA will randombly select a writer (seller) in that series of options, following these criteria:

- Call options: randomly assigned among covered positions. In case no hedged positions are found, randomly among uncovered positions.
- Put options: randomly assigned among recorded positions.

The selection of short positions is conducted through a technological process which sequentially and up to the concurrence of meeting exercising instructions demand, will automatically and randomly select eligible short positions subject to options exercising.

3.3.3. Options exercising mean cash settlement of the underlying asset, regardless of market price.

When the execution of an exercising instruction, whether early or upon expiry, gives rise to the purchase of securities whose trade is suspended or cancelled, the exercising instruction will still be valid.

BYMA will inform this situation to the pertinent option writer.

3.3.4. BYMA **Board of Directors** may close out positions or exercise options, in whole or in part, following the pertinent trading or exercising instruction or, exceptionally, by entering combined positions with a premium price to be established by BYMA.

3.3.5. BYMA establishes the timeframe to be applied on locking positions, pursuant to BYMA Circular on Trading Hours, and they shall be informed to BYMA through the communication channels set for that purpose.

3.4. Market Fees and Settlement Guarantee Process

3.4.1. Market Fee stated in the BYMA Market Fees Table are applicable to options market and exercise values, whenever said trades are executed.

3.4.2. BYMA has a settlement guarantee process in place for Member Brokers.

Margin requirements to be met by uncovered writers shall be established by BYMA, and may amended as per BYMA own criteria as it may deem convenient.

3.5. Operating Limits

3.5.1. Operating Limits shall be met by uncovered puts/calls, in compliance with the regulations in force.

3.5.2. Call options shall be ruled by the following allocations based on the type of security and the following calculation:

$$\boxed{Cu = Pd - Po - Pc - Pt - Pz}$$

Where all terms are expressed in spot price of the underlying asset, representing:

Cu = Authorized operating limit for a specific type of security.

Pd = number of uncovered long positions on a specific type of security.

Po = total number of short positions with long positions which might be turned into combined positions.

Pc = total number of short positions which were not considered for the calculation of combined positions and which are covered by cash settlement positions.

Pt = total number of short positions with matching long positions with expiration dates similar to or following the short position, but which are not considered as offsetting positions based on their strike price.

Pz = total number of short positions with positions in authorized term transactions positions which might be matched.

3.5.3. The global limit or quota, by option class and type of security is specified in the Circular on "*Margin Requirements Table...*".

3.5.4. Covered puts/calls are not included in the calculation of operating limits.

3.5.5. BYMA may grant additional trading limits, and may also establish other margin maintenance requirements thereof.

3.6 Trading Limits

3.6.1. BYMA may establish, in addition to operating limits, trading limits to be imposed per Member Broker, per beneficial owner (Member Broker´s client) or group of beneficial owners, as it may deem convenient.

3.6.2. Any failure to comply with said trading limits will enable BYMA to arbitrarily decide on closing out positions and/or to suspend new opening positions.

3.6.3. BYMA may also suspend the opening of new positions for specific option series.

4. Margin Requirements

4.1. Definitions

4.1.1. Margin requirements shall be met by uncovered long positions, under the terms and conditions to be established by BYMA, who may amend margin requirements at any time and apply said amendments to current positions in place.

4.1.2. Uncovered call options writers may replace margin requirements for 100% of the pertinent underlying assets, at any time.

4.1.3. Replacing underlying assets deposited as collateral for covered positions will only be possible following BYMA issuance of the pertinent authorization.

4.1.4. Margin maintenance will be calculated on a daily basis, based on new position balances and premium closing price. In case there is no closing price, BYMA will apply the premium theoretical price to adjust margin maintenance requirements.

4.1.5. Margin requirements met for uncovered long positions shall not be withdrawn until the date of cash settlement of the position on which the requirement is based.

4.2. Margin Requirements on Call/Put Options

4.2.1. Uncovered long positions shall comply with the following margin requirements:

4.2.2. Call Options:

a) if the underlying asset spot price is 5 percent higher than the option series strike price, the margin requirement to be met will be the closing price of the series multiplied by one plus two times the percentage of the applicable margin requirement pursuant to the Margin Loans and Repo List, multiplied by the position nominal value.

b) if the underlying asset spot price does not exceed a 5 per cent compared to the option series strike price, the margin requirement to be met will be the closing price of the series multiplied by one plus three times the percentage of the applicable margin requirement pursuant to the Margin Loans and Repo List, multiplied by the position nominal value.

4.2.3. Put options:

a) If the underlying asset spot price is 5 per cent lower than the option series strike price, the margin requirement to be met will be the closing price of the series multiplied by one plus two times the percentage of the applicable margin requirement pursuant to the Margin Loans and Repo List, multiplied by the position nominal value.

B) If the underlying asset spot price is not lower than 5 per cent compared to the option series strike price, the margin requirement to be met will be the closing price of the series multiplied by one plus three times the percentage of the applicable margin requirement pursuant to the Margin Loans and Repo List, multiplied by the position nominal value.

4.2.4. Margin Requirement Calculation

Margin requirement = Units in position x series closing price x (1 + % margin requirement on the list for the underlying security x N) N: multiplier of the margin requirement percentage (2 or 3 as it may

4.3. Collateral Assets

4.3.1. The following cash and non-cash collaterals are eligible to meet margin requirements for cash settlement transactions in pesos (ARS):

- Cash in pesos (ARS) or in U.S. Dollars (USD)

- Fixed Income Securities issued by the Government following the application of the pertinent haircut rates in force pursuant to BYMA "Margin Requirements Table".
- Equity: the same type of security as the option underlying security, exclusively for call options and for BYMA authorized types of securities, following the application of the pertinent haircut rates in force pursuant to BYMA "Margin Requirements Table".
- Term Deposit in Banco de Valores S.A., in favor of BYMA, recognizing the resulting yield to the pertinent Member Broker.
- Bank guarantees, term deposits in other financial institutions, and other types of guarantees to be previously approved by BYMA.

4.3.2. The following cash and non-cash collaterals are eligible to meet margin requirements for cash settlement transactions in U.S. Dollars (USD):

- U.S. Dollars
- Fixed Income Securities denominated in USD issued by the Government, following the application of the pertinent haircut rates in force pursuant to BYMA "Margin Requirements Table".

4.4. Timeframe for Margin Deposit

Margin requirements shall be met within the timeframe set forth for the premium settlement cycle.

4.5. Strategies lowering Margin Requirements

(Annex I shows a Summary on Option Strategies)

4.5.1. Call options on Securities

4.5.1.1. Eligible securities *to be traded in uncovered option calls/puts*.

(LIST B)

a) "Combined" strategies:

If the strike price of the long position is similar to or lower than the short position, margin requirements are not applicable.

On the contrary, if the strike price of the long position is higher than the short position, margin requirements shall be calculated based on the difference in price of the series multiplied by the number of securities included in the position, provided it is the same as or lower than the margin requirement to be met by an uncovered position.

This same strategy and margin requirement calculation basis may be applicable to options strategies including one short position and many long positions.

b) "Special & Combined" strategies: Different combinations of special and combined strategies are analyzed below:

b.1) "Long Butterfly Spread" strategy. This strategy combines:

Buying one call with strike price$_1$ (S_1)

Selling two calls with strike price$_2$ (S_2)

Buying one call with strike price$_3$ (S_3)

Where S_1+S_3 is equals to two times S_2 (i.e., S_2–S_1 is equals to S_3 -S_2.)

Margin requirements are not applicable to this type of strategies.

b.2) "Short Call Butterfly" strategy. This strategy combines:

Selling one call with strike price$_1$ (S_1)

Buying two calls with strike price$_2$ (S_2)

Selling one call with strike price$_3$ (S_3)

Where S_1+S_3 is equals to two times S_2 (i.e., S_2–S_1 is equals to S_3 -S_2.)

Margin requirements for this type of strategies shall be calculated based on the difference in price of the series multiplied by the number of securities included in the position.

b.3) "Short Straddle" strategy: It combines uncovered positions in a call and a put with the same strike price on both series. Margin requirements to be met shall be for the higher amount resulting from independent margin calculations made.

Furthermore, in case calls and puts have different strike prices, the strategy and the margin requirement to be met shall be defined as follows:
Call Options uncovered long positions are combined with put options long positions, for the same number and underlying asset and with the same expiration date, made on behalf of one beneficial owner by the same Member Broker.

Margin requirements to be met shall be defined as follows, provided they are lower than margin requirements based on independent margin calculations (M>m):

- If the put option strike price is similar to or lower than the call option strike price (including Short Straddle), the higher amount shall apply (M).
- If the put option strike price is higher than the call option strike price,

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- o the higher amount (M) shall apply if it exceeds the strike prices spread (if $M > \Delta sp$)
- o the higher amount plus the difference between the strike prices spread and the lower amount ($M + \Delta sp - m$), in case the strike prices spread exceeds the higher amount and is lower than sum of both (if $M < \Delta sp < M+m$).

c) "Combined" strategies. Different combinations of options with authorized term transactions are analyzed herein, including their effects on margin requirements to be met:

c.1) Buying a Term transaction and Selling a call option.

If the term transaction purchase price is similar to or lower than the call option strike price, only the term transaction margin requirement shall be applicable thereto.

On the contrary, if the term transaction purchase price is higher than the strike price, margin requirements shall be calculated based on the difference in price multiplied by the number of securities included in the position, or the term transaction margin requirement, whichever is greater.

If the term transaction maturity date is prior to the call option expiration date, the collateralized underlying assets shall be kept in deposit to categorize the call option as a covered call.

If the call option is exercised before the term transaction maturity date, the following situation may arise:

If the counterparty to the term transaction is margined, early exercise will be performed to use the securities needed to settle the obligations arising from exercising the call option.

If the counterparty to the term transaction is uncovered, the term transaction buyer shall loan the securities needed to settle the obligations arising from exercising the option, considering the timeframes and the regulation applicable to short selling.

c.2.) Selling a Fixed term transaction and Buying a call option.

If the call option strike price is similar to or higher than the fixed term transaction strike price, margin requirements are not applicable.

On the contrary, if the strike price is higher than the fixed term transaction strike price, margin requirements shall be calculated based on the difference in price multiplied by the number of securities included in the position, or the fixed term transaction margin requirement, whichever is lower.

d) Call options with different option classes (buyer, writer) on the same underlying asset, the same number of short and long positions on option lots of different series, with the long position expiration date being prior to the short position expiration date.

If the long position strike price is similar to or lower than the short position strike price, margin requirements shall be calculated as half the margin deposit corresponding to an uncovered short position.
On the contrary, if the long position strike price is higher than the short position strike price, margin requirements shall be calculated based on the difference in price of the series multiplied by the number of securities included in the position, plus half of the margin deposit corresponding to an uncovered short position, provided it is similar to or lower than the margin requirement to be met by an uncovered position.
This same strategy and margin requirement calculation basis may be applicable to option strategies including one short position and many long positions.

4.5.1.2. Eligible securities *to be traded in Fixed Term Transactions, Repos and Margin Loans*

(LIST A)

Writers may trade uncovered puts/calls if the guarantee system includes any of the following alternatives:

a) Combined Positions strategies, pursuant to item 4.5.1.1.a) herein.

a) "Short Butterfly Spread" strategies, pursuant to item 4.5.1.1.b.1) herein.

a) Combined strategies, pursuant to item 4.5.1.1. c) herein.

4.5.1.3. *Any other* Securities *not included in List A or B mentioned above*.

Writers may trade uncovered puts/calls only if the guarantee system includes any of the following alternatives:

a) "Combined" positions strategies, pursuant to item 4.5.1.1.a) herein.

a) "Short Butterfly Spread" strategies, pursuant to item 4.5.1.1.b.1) herein.

4.5.1.4. Margin requirements to be met for types of securities not included in List A or B mentioned above (categories 4.5.1.2 and 4.5.1.3) are established as follows:

- For combined positions, margin requirements to be met will be based on the difference in price among the series multiplied by the number of securities included in the position.

- Collateralized assets deposited as margin shall not of the same type as the option underlying assets, on the contrary to the provisions of 4.3.1) herein.

4.5.2. *Put options on* Securities

4.5.2.1. Eligible securities *to be traded in uncovered calls/puts*.

(LIST B)

a) "Combined" Positions strategy:

If the strike price of the long position is similar to or higher than the short position, margin requirements are not applicable.

On the contrary, if the strike price of the long position is lower than the short position strike price, margin requirements shall be calculated based on the difference in price of the series multiplied by the number of securities included in the position, provided it is similar to or lower than the margin requirement to be met by an uncovered position.

This same strategy and margin requirement calculation basis may be applicable to options strategies including one short position and many long positions.

b) "Special & Combined" strategies: Different combinations of special and combined strategies are analyzed below:

b.1) "Long Butterfly Spread" strategy.

Buying one put with strike price_1 (S_1)

Selling two puts with strike price_2 (PE_2)

Buying one put with strike price_3 (S_3)

Where S_1+S_3 is equals to two times S_2 (i.e., $S_2–S_1$ is equals to S_3 -S_2)

Margin requirements are not applicable to this type of strategies.

b.2) "Short Call Butterfly" strategy.

Selling one put with strike price_1 (S_1)

Buying two puts with strike price_2 (PE_2)

Selling one put with strike price_3 (S_3)

Where S_1+S_3 is equals to two times S_2 (i.e., $S_2–S_1$ is equals to S_3 -S_2)

Margin requirements to be met for these strategies will be based on the difference in price among the series multiplied by the number of securities included in the position.

b.3) "Short Straddle" strategy, pursuant to item 4.5.1.1.b.3) herein.

a) "Combined" strategies, pursuant to item 4.5.1.1.c) herein.

Different alternatives and their effects on margin requirements to be met are analyzed herein:

c.1) Buying a Term transaction and buying a put option.

If the strike price of the put option is similar to or higher than the term transaction strike price, margin requirements are not applicable.

On the contrary, if the put option strike price is lower than the term transaction purchase price, margin requirements shall be calculated based on the difference in price multiplied by the number of securities included in the position, or the term transaction margin requirement, whichever is lower.

c.2) Selling a Fixed term transaction and buying a put option.

If the fixed term transaction exercise price is similar to or higher than the put option strike price, only the term transaction margin requirement shall be applicable thereto.

On the contrary, if the fixed term transaction exercise price is lower than the put option strike price, margin requirements shall be calculated based on the difference in price multiplied by the number of securities included in the position, or the fixed term transaction margin requirement, whichever is higher.

d) Put options on different option classes (buyer, writer) on the same underlying asset, the same number of short and long positions on option lots in different series, with the long position expiration date being prior to short position expiration date.

If the long position strike price is similar to or higher than the short position strike price, margin requirements shall be calculated as half the margin deposit corresponding to an uncovered short position.
On the contrary, if the long position strike price is lower than the short position strike price, margin requirements shall be calculated based on the difference in price of the series multiplied by the number of securities included in the position, plus half of the margin deposit corresponding to an uncovered short position, provided it is similar to or lower than the margin requirement to be met by an uncovered position.
This same strategy and margin requirement calculation basis may be applicable to option strategies including one short position and many long positions.

4.6. Member Broker´s rights and obligations

4.6.1. Member Brokers may require their Clients (beneficial owners), at any time, to meet additional margin requirements or to trade under specific trading limits.

4.6.2. In case of Member Broker´s clients failure to comply with said requirements, Member Brokers may:

- close out their positions on market value.

- use any pertinent margin deposit available in BYMA to cover losses or pay for expenses.

4.6.3. Member Brokers must include in their Account Opening Agreements or in a similar document executed by their Clients, a special clause stating Client´s acknowledgment on the importance of his/her compliance with the pertinent regulations applicable to this type of trading.

5. Option series subscription rights

5.1. New Series

Upon new subscription periods on options over authorized Equity, BYMA will proceed to split the series including open positions into two new option series: one for Securities “ex-coupon” and another series for coupons.

5.2. Series Opening Date

The opening date of the option series above mentioned (coupons and securities) will be on the business day prior to the date settled for opening the subscription.
A condition to opening new option series on coupons shall be that the opening date for subscription is set before the business day prior to the date set for the end of the fiscal year.

5.3. Option series exercising and Prices

The following procedure shall be implemented to determine the striking prices of the positions to be split:

- The weighted average price of the “ex-coupon” security type will be calculated (ppp ex-certificate) based on the trades of the las two T+3 settlement cycle sessions prior to the series opening date.
- The weighted average price of the coupon will be calculated (ppp coupon) based on the two trading sessions thereof, prior to the series opening date.
- Considering these weighted average prices, the relationship between the strike prices of current option series will be calculated as follows:

$$\frac{\text{ppp coupon}}{\text{ppp ex-certificate} + \text{ppp coupon}}$$

In case no coupons were traded, the above mentioned relationship for the ex-coupon shall be determined based on a technical value calculated by Bolsa de Comercio de Buenos Aires, and setting as coupon value the difference between the prior closing price of the pertinent security type with coupons and its ex-coupon technical value.

5.4 New Series

Once the prior steps have been taken, new series will be split and enabled, provided that options on coupons striking prices may be expressed in monetary value.

5.5. Coupons withdrawal to covered call writers

In case the steps above mentioned cannot be followed, BYMA will withdraw coupons to covered call writers. In this case, all current option series shall be deemed, to all effects, as ex-coupon.

5.6. Expiration Date of coupon series

Coupon series expiration date shall be the closest comparing the original series expiration date and the third day prior to the subscription expiration date.

5.7 CEVA (Securities Certificates) subscription rights.

Upon new subscription periods on authorized Equity included in the CEVA (Securities Certificates) portfolio, BYMA will proceed to split the series including open positions into two new option series: one for CEVA Securities “ex-coupon” and another series for the coupons of a specific security type. The Nominal Value in ARS (V$N) of the latter will be similar to the number of said Securities included in the CEVA portfolio.

For the calculation of new striking prices, the type of security share on CEVA theoretical portfolio shall be considered as well as the closing price of the ex-coupon. Considering the above, item 5 (Subscription rights) of this Circular shall also be applicable hereto.

6. Strike Price Adjustments

Options are adjusted in case changes are made to option contracts underlying assets, on their strike price or number of assets within the contract, or both, so as to adjust open positions to maintain their economic value as close to the prior value as possible.

In case of assets whose value might have turned difficult to calculate or whose trading might be difficult to exercise in the market, upon delivery of the asset within the settlement process, adjustments might be applicable thereto, based on the following criteria:

1- Technical value calculated by BYMA.
2- Option series split, based on the PPP of the new Security.
3- In case those alternatives are not possible, all current series shall be deemed, to all effects, as ex.

With nothing further at present,

Sincerely Yours,

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