

**INTRODUCTION**

HKEX’s Hang Seng China Enterprises Index (HSCEI) futures and options are effective trading and risk management tools for investors wishing to gain or manage exposure to Mainland China companies listed in Hong Kong amid the growing interest in Mainland-related equities.

HKEX also offers Mini HSCEI futures and options. The mini contract is one-fifth the size of the standard contract and caters for the needs of retail investors. Flexible Options contracts are options contracts with flexibility in strike prices and expiry months.

**THE HANG SENG CHINA ENTERPRISES INDEX**

The underlying index of HSCEI futures and options (and Mini contracts) is the Hang Seng China Enterprises Index (HSCEI). The HSCEI is freefloat adjusted and market capitalisation weighted according to each constituent company, with a 10 per cent cap on the weighting of individual stocks. The HSCEI is compiled and calculated by Hang Seng Indexes Company Limited and designed to track the performance of major H shares, Red-chips and private enterprises.

**HSCEI FUTURES AND OPTIONS (including Flexible HSCEI Options)**

The HSCEI futures were introduced on 8 December 2003 based on the underlying HSCEI. Following the immediate success of the futures, the HSCEI options were introduced in 14 June 2004. On 8 February 2010, Flexible Index Options with flexibility in setting strike prices and expiry months were introduced to facilitate the booking of customised over-the-counter option contracts. Figure 1 shows the HSCEI performance and Figure 2 shows average daily volume of HSCEI Futures and Options.

**MINI HSCEI FUTURES AND OPTIONS**

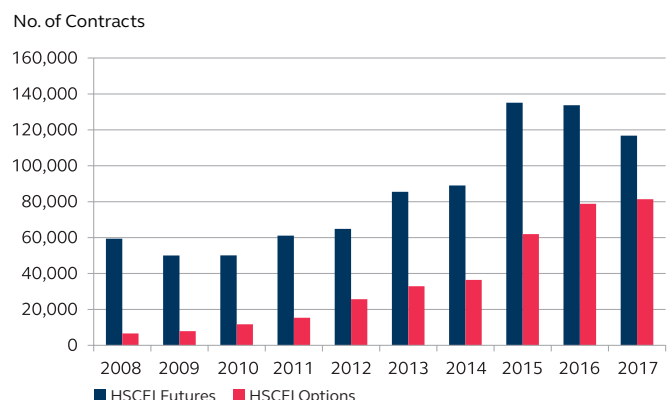
Mini HSCEI futures and options contract were launched on 31 August 2008 and 5 September 2016 respectively to serve the trading and hedging needs of retail investors. Mini contracts are one-fifth the size of standard contracts.

**Figure 1: HSCEI Performance from January 2008 to October 2017\***



Source: Bloomberg

**Figure 2: Average Daily Volume of HSCEI Futures and Options\***



Source: HKEX

\* Data as at 6 October 2017

## HSCEI FUTURES CONTRACT (Standard and Mini) SUMMARY\*:

HSCEI Futures	Standard Contracts	Mini Contracts
Underlying Index	Hang Seng China Enterprises Index	
Contract Multiplier	\$50 per index point	\$10 per index point
Minimum Fluctuation	One index point	
Contract Months	Spot, next calendar month and next two calendar quarter months	
Pre-Market Opening Period	8:45 am - 9:15 am & 12:30 pm - 1:00 pm	
Trading Hours	Day session (T session) : 9:15 am - 12:00 noon & 1:00 pm - 4:30 pm (Closed at 4:00 pm on the Last Trading Day) Night session (T+1 session): 5:15 pm - 1:00 am	
Last Trading Day	The business day immediately preceding the last business day of the contract month	
Final Settlement Price	Average of quotations of the HSCEI taken at five minute intervals during the Last Trading Day	
Exchange Fee	\$3.50	\$2.00

## HSCEI OPTIONS CONTRACT (Standard, Mini, and Flexible) SUMMARY\*:

HSCEI Options	Standard Contracts		Mini Contracts		Flexible Contracts	
Underlying Index	Hang Seng China Enterprises Index					
Product Code	HHI		MCH		XHH	
Contract Multiplier	\$50 per index point		\$10 per index point		\$50 per index point	
Minimum Fluctuation	One index point					
Contract Months	Short-dated Options: Spot, next two calendar, and next three calendar quarter months  Long-dated Options: The next three months of June and December		Short-dated Options: Spot, next calendar, and next two calendar quarter months		Any calendar month not further out than the longest term of expiry months that are available for trading	
Exercise Style	European Style					
Option Premium	Quoted in whole index points					
Strike Prices	Short-dated options Index points: Below 2,000 At or above 2,000 but below 8,000 At or above 8,000  Long-dated options Index points: below 4,000 At or above 4,000 but below 8,000 At or above 8,000 but below 12,000 At or above 12,000 but below 15,000 At or above 15,000 but below 19,000 At or above 19,000	Intervals  50 100 200  100 200 400 600 800 1000	Short-dated options Index points: Below 2,000 At or above 2,000 but below 8,000 At or above 8,000	Intervals  50 100 200	In whole index points which are within +/-30% from the opening price of the spot month futures contract on the day of request, or the range of the prevailing highest and lowest strike prices available amongst the contract month requested to be created, and all other existing contract months with longer expiry terms on the day of request (whichever range is the largest)	
Trading Hours	9:15 am - 12:00 noon & 1:00 pm - 4:30 pm (Closed at 4:00 pm on the Last Trading Day)					
Expiry Day	The business day immediately preceding the last business day of the contract month					
Official Settlement Price	Average of quotations of the HSCEI taken at five minute intervals during the Expiry Day					
Exchange Fee	\$3.50		\$1.00		\$3.50	

\* Please visit the HKEX website ([www.hkex.com.hk](http://www.hkex.com.hk)) for full contract specifications which may be updated from time to time and for a list of Futures Exchange Participants.

## Advantages Of Trading H-Shares Index Futures And Options

Reliability	<ul style="list-style-type: none"><li>• The HSCEI is a widely accepted benchmark for Mainland China companies listed in Hong Kong and seen as a reliable indicator of market performance.</li></ul>
Liquidity	<ul style="list-style-type: none"><li>• There are ready buyers and sellers in the market at all times.</li></ul>
Cost Effectiveness	<ul style="list-style-type: none"><li>• HSCEI futures and options (standard and mini) are traded on a margin basis, with the margin set at just a fraction of the contract value.</li></ul>
Transparency and Efficiency	<ul style="list-style-type: none"><li>• Exchange-traded futures and options markets are orderly, transparent and efficient.</li></ul>
Flexibility	<ul style="list-style-type: none"><li>• Options are extremely versatile investment tools because of their unique risk and reward structure.</li></ul>

## FLEXIBLE INDEX OPTIONS - CREATION, EXECUTION, CLEARING AND SETTLEMENT

### Creation

- Exchange Participants may make requests for the creation of Flexible Index Option series with specifications as listed in the contract summary above to HKEX from market open until 30 minutes before the close of trading for index options.
- A series will not be created if there is an existing standard series with the same strike price and expiry.

### Execution

- Flexible Index Options must be executed through the Block Trade Facility during trading hours. Market making services are not available for Flexible Index Options.
- Initiating Exchange Participants and any other Exchange Participants can enter new trades to an existing Flexible Index Option series once created.
- Flexible Index Options series may be executed in combination with standard option series and futures contracts, as well as other Flexible Index Options series. However, each Flexible Index Option leg of a combination trade must be of 100 contracts or more.

### Clearing and Settlement

- If a standard series has the same strike price and expiration as a Flexible Index Option series, the latter will be suspended from further trading. Positions in the two series will be kept and treated separately. Exchange Participants who hold opposite positions in the two series may request the clearing house to perform an internal position close out according to the clearing house procedures.

## TAILOR-MADE COMBINATION (TMC)

TMC is a trading function to execute option strategies. The function covers Futures and Options of Hang Seng Index, Mini-Hang Seng Index, HSCEI as well as Single Stock Options. The advantages of TMC are as below:

### Advantages Of TMC

One Net Price	<ul style="list-style-type: none"><li>• Users can create combinations with up to FOUR legs and place orders with one net price.</li></ul>
Auto-Matching	<ul style="list-style-type: none"><li>• TMC orders will be ranked and matched by HKATS automatically according to price / time priority.</li></ul>
Quote Request	<ul style="list-style-type: none"><li>• Users can send quote requests for a TMC.</li></ul>
Certainty of Execution	<ul style="list-style-type: none"><li>• Option strategy order will be executed only if all legs are simultaneously executed with no risk of any failed legs.</li></ul>
Versatile Facility for Rollover & Hedging	<ul style="list-style-type: none"><li>• Rollover and hedging can be done more easily and efficiently.</li></ul>

\* Please visit the HKEX website ([www.hkex.com.hk](http://www.hkex.com.hk)) for details which may be updated from time to time.

## LIST OF INFORMATION VENDORS AND ACCESS CODES

Name	HSCEI Futures	HSCEI Options	Flexible HSCEI Options	Mini HSCEI Futures	Mini HSCEI Options
AAStocks.com Ltd	110010	322020	-	110010	322060
ACTIV Financial Systems, Inc.	HHI/<Year><Month Code>.<Exchange Code>	HHI/<Year><Month Code>/<Strike Price> <Put/Call>.<Exchange Code>	Call:XHH/ympppppC.HF Put: XHH/ympppppP.HF	MCH/<Year><Month Code>.<Exchange Code>	MCH/yyymm/strike series[Put/Cal].HF
AFE Solutions Ltd.	870789	873121	873501-873530	870791	873151-873154
Bloomberg Finance L. P.	HCA Index CT	HSCEI INDEX OMON	ERH HKF<GO>	MHCA Index CT<GO>	MHSCEI Index OMON <GO>
DB Power Online Limited	HHI	HHI	XHH	MCH	MCH
ET Net Ltd.	HHI/ Index Futures Screen	HHI/ Index Option Screen	-	MCH/ Index Futures Screen	MCH
Infocast Ltd.	1. Select 'Derivatives' 2. Then choose 'Futures' 3. Select your code in 'Future Code' and 'HHI'	1. Select 'Derivatives' 2. Then choose 'Options' 3. Select your code in 'Option Code' and 'HHI'	XHH	1. Select 'Derivatives' 2. Then choose 'Futures' 3. Select your code in 'Future Code' and 'Underlying Code'	MCH
QuotePower International Ltd.	P11006	P11330	-	P11008	P11360
Reuters Ltd	0#HCEI:	0#HCEI*.HF	0#HCEI*.HF	0#HMCE:	0#HMCE.HF
SIX Financial Ltd.	HHlym,113	HHlymcstrikes,113 / HHlympstrikes,113	-	MCHym,113	MCHsmy
Telequote Data International Ltd.	HHlmy	HHIOmy	XHHO[month][year]	MCHmy	MCHOmy
Tele-Trend Ltd.	HCFC, HCmyy	File → Open → Options → HSCEI	Options window (1) Item code → XHH (2) Month	HEFC, HEmmyy	Open → Options → MCH

y: Contract year m: Contract month C/Call: Call options P/Put: Put options Strike/SSSS: Strike series

## RESOURCES

HKEX website  
www.hkex.com.hk



## ENQUIRY

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