

香港期貨交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

HONG KONG FUTURES EXCHANGE LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: **Inclusion of Equity Index Options in the T+1 Session**

Enquiry: **HKATS Hotline¹ Tel: 2211-6360**

Reference is made to the circular dated 7 February 2018 (Ref: [MO/DT/026/18](#)) and 9 March 2018 (Ref: [MO/DT/040/18](#)). Following the successful completion of the Readiness Test (Test) on 7 April 2018 with the confirmation of readiness from Exchange Participants (EPs) and the recruitment of Regular Market Makers in the T+1 Session, Hong Kong Futures Exchange (HKFE) is pleased to announce that the inclusion of the following Equity Index Options in the T+1 Session will be launched **on Monday, 14 May 2018²**:

- Hang Seng Index Options
- Hang Seng China Enterprises Index Options
- Mini-Hang Seng Index Options

The Securities and Futures Commission has approved the related amendments to the Rules and Procedures of HKFE. Details will be announced in a separate circular in due course. For EPs' ease of reference, a summary of the arrangements for inclusion of Equity Index Options in the T+1 Session is set forth in the Attachment.

Inform Your Staff and Clients

EPs should notify their staff and all clients of the details for the inclusion of the Equity Index Options in the T+1 Session and the associated risks. Please ensure that your trading and back office systems are ready in order for smooth operations upon such inclusion. In addition, staff

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

² Effective from 14 May 2018, the T+1 Session for Equity Index Options will be from 5:15 p.m. to 1:00 a.m.

should be fully aware of the above and should exercise caution when dealing with the Equity Index Options and/or Futures in the T+1 Session and when advising your clients.

For any enquiry, please contact HKATS hotline at 2211 6360.

Sanly Ho

Head

Derivatives Trading

Markets Division

This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Arrangements for Inclusion of Equity Index Options in the T+1 Session

Equity Index Options trading in the T+1 Session with regard to products, trading, clearing and risk management will be implemented as follows:

a) Products

The model will be applicable to Hang Seng Index (HSI) Options, Hang Seng China Enterprises Index (HHI) Options, and Mini-Hang Seng Index (MHI) Options. Flexible options will not be applicable.

b) Trading

i. Trading Hours

The opening time of the T+1 Session will be 45 minutes after the close of the T Session, i.e. 5:15 p.m. for Equity Index Options. Trades executed during the T+1 Session will be registered as the next business day's trades. The T+1 Session will end at 1:00 a.m. in the next calendar day.

ii. Holiday Arrangements

If it is a Hong Kong public holiday or there is half-day trading in the HKEX securities market or it is a bank holiday in both the United Kingdom and the United States, there will be no T+1 Session on that day.

iii. Typhoon or Black Rainstorm Arrangements

Typhoon or Black Rainstorm arrangements for Equity Index Options will follow the same arrangements for Equity Index Futures.

iv. Order Types

All rest of day orders, until expiry orders and specified date orders, by default, will be effective only in T Session and outstanding orders will be carried forward to the next T Session and so on whilst outstanding.

For EPs and their clients participating in after-hours trading need to select the order attribute “T+1” when entering their rest of day orders, until expiry orders and specified date orders for those orders that should be effective for both T Session and the T+1 Session. These orders with “T+1” attribute will be carried forward from T+1 Session and back into T Session and so on whilst outstanding.

Fill-or-kill orders and fill-and-kill orders which are to be executed (or not) immediately, the order attribute “T+1” will not be applicable and will be ignored.

v. Trading Halt Mechanism (THM)

When the highest bid of the THM Reference Contract (i.e. spot month futures) on the buying queues reaches its price which is the THM percentage above the THM reference price (i.e. upper price limit of the spot month futures in the T+1 Session), or its lowest ask on the selling queues reaches its price which is the THM percentage below the THM reference price (i.e. lower price limit of the spot month futures in the T+1 Session), the corresponding instrument session state of such THM Exchange Contract (i.e. the options) will be set to HALT. In such event, trading of the concerned THM Exchange Contract will be suspended for the remaining T+1 session. Trading of the concerned THM Exchange Contract will be resumed upon the beginning of the following T session.

As an illustrative example, when the highest bid of the spot month HSI Futures reaches its upper price limit in the T+1 Session, trading of all HSI Options regardless of strikes or contract expiries will be halted. Trading of MHI Options will be halted only if the same conditions are met in the spot month MHI Futures.

During a trading halt, all orders of the halted THM Exchange Contract will remain but will not be matched. EPs may amend or cancel any of the orders. Note that amendment of order is confined to the following actions during trading halt:

1. Modification of information in Cust and/or Info fields;
2. Change duration of validity;

3. Decrease quantity.

For each THM Exchange Contract, the corresponding THM Reference Contract, the THM reference price and the THM percentage are as follows:

THM Exchange Contract	THM Reference Contract	THM Reference Price	THM Percentage
HSI Options	Spot month HSI Futures	Refers to the reference price of Price Limit Up/Down Mechanism ³	5%
HHI Options	Spot month HHI Futures		
MHI Options	Spot month MHI Futures		

vi. Handling of Error Trades

Existing error trade rules will apply in the T+1 Session.

vii. Block Trade Facility

Block Trade Facility will be available in the T+1 Session.

viii. Application for Erroneous Trade (Form 7)

Application for erroneous trade (Form 7) will not be applicable to Products in the T+1 Session.

ix. Tailor Made Combination

Tailor Made Combination will be available in the T+1 Session.

c) Clearing

The T+1 Session Cutoff Time for Equity Index Options will be 1:45 a.m. in the next calendar day. Clearing service will continue in the event of trading halt. Clearing Participants please be reminded that for trades executed in the T+1 Session, Clearing Participants can perform post-trades (i) up to the T+1 Session Cutoff Time; and/or (ii) from 7:30 a.m. on the next Business Day till System Input Cutoff Time at 6:45 p.m. If Clearing Participants want to incorporate those trades executed in the previous T+1 Session in the calculation of Mandatory Intra-day

³ Reference price of Price Limit Up/Down Mechanism can refer to Appendix 6 of [HKATS User's Guide](#)

Variation Adjustment and Margin, they should complete the post-trade activities 30 minutes before market open of the corresponding products.

d) Risk Management

The following risk management arrangements currently applied to Equity Index Futures positions will be extended to cover the newly established Equity Index Options positions in the T+1 Session:

- i. Monitoring of Clearing Participant's Capital-Based Position Limits (CBPL) on an hourly basis during the T+1 Session⁴; and
- ii. Mandatory Intra-day Variation Adjustment and Margin Call following the market open of each T Session and payable by 12:00 noon.

NO new risk management measure will be introduced after the inclusion of Equity Index Options in the T+1 Session.

⁴ Risk Parameter Files (RPF) are generated for CBPL monitoring and will be made available for download hourly in T+1 session under normal circumstances. Please refer to "[RPF for CBPL Monitoring in After-Hours Trading](#)" for more information and download.