Trading Halt Mechanism

In order to safeguard market, Trading Halt Mechanism (THM) will be introduced to Equity Index Options trading in the T+1 Session.

A) Trigger Mechanism of Trading Halt Mechanism (THM)

1) Under this mechanism, the instrument session state of a THM Exchange Contract (i.e. the index options) will be set to HALT and the trading of the THM Exchange Contract will be halted until the end of the T+1 Session if,

   - the highest bid of the corresponding THM Reference Contract (i.e. spot month index futures) on the buying queue reaches a price which is the THM percentage above the THM reference price (i.e. upper price limit of the spot month index futures in the T+1 Session)[1]; or

   - the lowest ask of the corresponding THM Reference Contract on the selling queue reaches a price which is the THM percentage below the THM reference price (i.e. lower price limit of the spot month index futures in the T+1 Session)[1].

2) The THM Exchange Contract, the corresponding THM Reference Contract, the THM reference prices and the THM percentages are as follows:

THM Exchange Contract	THM Reference Contract	THM Reference Price	THM Percentage
Hang Seng Index Options	Spot month Hang Seng Index Futures	The reference price of Price Limit Up/Down Mechanism	5%
Hang Seng China Enterprises Index Options	Spot month Hang Seng China Enterprises Index Futures		
Mini - Hang Seng Index Options	Spot month Mini - Hang Seng Index Futures		

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[1] In such case when only the traded price of the spot month futures reached its upper/ lower limit but not the highest bid of the buying queue/lowest ask of the selling queue, the THM of the corresponding options would not be triggered.

B) Order Arrangement during Trading Halt

1) During a trading halt, all orders of the halted THM Exchange Contract will remain in the order book but cannot be matched. Exchange Participants (EPs) may amend or cancel any of their existing 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.

C) Illustration of Triggering THM

1) As an 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.

2) When the lowest ask of the spot month HSI Futures reaches its lower price limit in the T+1 Session, trading of all HSI Options regardless of strikes or contract expiries will be halted.

3) Trading of MHI Options will be halted only if the same conditions are met in the spot month MHI Futures.

4) Assume the last traded price of the spot months HSI futures is 20,000 in T session. The upper and lower price limits will be as follows:

HSI Spot Month Futures

Last Traded Price of Spot Months Futures in the T Session		
20,000	21,000	Upper Price Limit in the T+1 Session
	19,000	Lower Price Limit in the T+1 Session
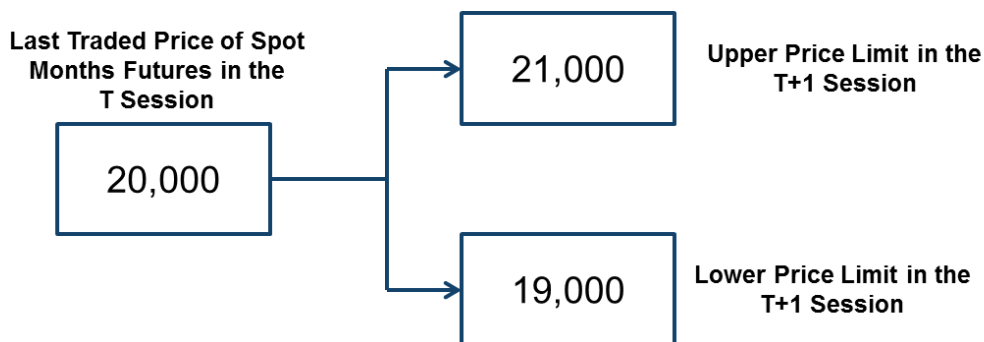
5) The following cases illustrate whether the THM will be triggered when the spot month HSI Futures highest bid/ lowest ask moving towards its upper price limit:

Case 1	
Bid	**Ask**
20,996	21,000

No trading halt will be triggered as the highest bid did not reach the upper price limit.
If there is a market buy order, the traded price of such order will be traded at 21,000. Price limit up/down mechanism of the

futures will be triggered; however, THM of options will not be triggered.

Case 2	
Bid	**Ask**
20,996	-

No trading halt will be triggered as the highest bid did not reach the upper price limit.

Case 3	
Bid	**Ask**
21,000	-

Trading halt will be triggered as the highest bid price reached the upper price limit.

6) The following cases illustrate whether the THM will be triggered when the spot month HSI Futures highest bid/ lowest ask moving towards its lower price limit:

Case 1	
Bid	**Ask**
19,000	19,003

No trading halt will be triggered as the lowest ask did not reach the lower price limit.

If there is a market sell order, the traded price of such order will be traded at 19,000. Price limit up/down mechanism of the futures will be triggered; however, THM of options will not be triggered.

Case 2	
Bid	**Ask**
-	19,005

No trading halt will be triggered as the lowest ask did not reach the lower price limit.

Case 3	
Bid	**Ask**
-	19,000

Trading halt will be triggered as the lowest ask reached the lower price limit.