Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

CHAPTER I

INTERPRETATION ADMINISTRATION AND AMENDMENT OF THE RULES

Definitions and Interpretation

101. In these Rules, unless the context otherwise requires, the following expressions shall bear the following meanings:-

"Block Trade Facility"   means the function of HKATS as specified by the Exchange to be used for Block Trade execution;

CHAPTER VIII

TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS

Execution of Block Trades

815A. A Block Trade may be executed by an Exchange Participant provided that the following criteria are satisfied :

(2)   Minimum Volume Threshold

(c)   Where a Block Trade order involves a spread or strategy combination, at least one of the legs comprising the combination must be of a quantity which satisfies the applicable Minimum Volume Threshold. Each leg of the spread or strategy combination must be entered into the Block Trade Facility with reference information according to the manner specified by the Exchange from time to time.

(3)   Block Trade Order Entry

A Block Trade must be negotiated during the trading hours of the Block Trade Contract concerned and be executed immediately on HKATS via the Block Trade Facility in one of the following ways:

(a) A Block Trade order entry by one Exchange Participant

A Block Trade which is negotiated internally between accounts of an Exchange Participant or negotiated between two Exchange Participants may be entered into HKATS by one Exchange Participant. When two Exchange Participants are involved, either one of the Exchange Participants shall be responsible for transferring to the other Exchange Participant its positions by way of trade adjustment in accordance with the Clearing House Rules, which require the

transferring Exchange Participant or where applicable, its General Clearing Participant to inform the Clearing House of the trade adjustment request as soon as it has been confirmed by the receiving Exchange Participant or where applicable, its General Clearing Participant on DCASS.

(b)   A Block Trade order entry by two Exchange Participants

A Block Trade which is negotiated between two Exchange Participants may be separately entered into HKATS by the respective buying and selling Exchange Participants. The time difference between the input of one side of a Block Trade and the input of the other side of the Block Trade must be within the prescribed time period as set up in HKATS User's Guide. Any Block Trade order entered into HKATS but not matched within the prescribed time period will be cancelled automatically.

(5)   <u>Execution Price</u>

The price at which a Block Trade is executed may or may not be the prevailing market price, but must fall within one of the following price or price ranges:

(a)   between whichever is the highest and whichever is the lowest of (i) the highest traded price of the futures contract month or option series of the Block Trade Contract concerned for the day up to the time the Block Trade is executed ("Highest Traded Price"); (ii) the lowest traded price of the futures contract month or option series of the Block Trade Contract concerned for the day up to the time the Block Trade is executed ("Lowest Traded Price"); (iii) the prevailing bid price; and (iv) the prevailing ask price available;

(b)   (deleted)

(c)   (deleted)

(d)   (deleted)

(e)   at a fair and reasonable price if none of the Highest Traded Price, Lowest Traded Price, prevailing bid price or prevailing ask price is available, or if only one traded price is available and no prevailing bid or ask price is available, or if only the prevailing bid price is available and no prevailing ask price or traded price is available, or if only the prevailing ask price is available and no prevailing bid price or traded price is available. For this purpose, the determination of the Chief Executive as to whether a price is fair and reasonable shall be conclusive. The factors that the Chief Executive may take into consideration when determining whether a price is fair and reasonable include, but not limited to, traded prices on previous days, traded prices and prevailing bid and ask prices of other futures contract months or option series of the Block Trade Contract, the volatility and liquidity of the relevant Market, the size of the Block Trade order and general market conditions.

A Special Block Trade Margin may be required from an Exchange Participant if the executed price of a Block Trade is not considered fair and reasonable, if a significant deviation exists between the prevailing market price and the executed price of the Block Trade, or if the Block Trade is executed at such a price that an intra-day variation adjustment would have been triggered had the trade been executed as a normal trade in the Central Orderbook.

The price at which a Block Trade is executed will not be used in establishing the day-high, day-low, last traded price, Closing Quotation, and where applicable, the Final Settlement Price or Official Settlement Price of an Exchange Contract. The quantity of a Block Trade will be taken into account in the updating of the traded volume of an Exchange Contract.

TRADING PROCEDURES FOR STOCK INDEX FUTURES AND STOCK INDEX OPTIONS TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE ("HKATS")

CHAPTER 4
DEALING FUNCTIONALITY

4.5.4   In the event an Order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual market series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the Stock Index Futures Contracts or Stock Index Options Contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

TRADING PROCEDURES FOR STOCK FUTURES AND OPTIONS ON STOCK FUTURES TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE ("HKATS")

CHAPTER 4
DEALING FUNCTIONALITY

4.6.4   In the event an Order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual market series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the Stock Futures Contracts or the Option on Stock Futures Contract comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

TRADING PROCEDURES FOR ONE-MONTH AND THREE-MONTH HONG KONG INTERBANK OFFERED RATE FUTURES ("HIBOR FUTURES") TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE ("HKATS")

CHAPTER 4
DEALING FUNCTIONALITY

4.5.4   In the event an Order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual market series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the HIBOR Futures Contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

4.5A.2 The matched HIBOR strip will be recorded in HKATS as a trade in the standard combination market, but will be registered by the Clearing House as separate trades in the individual market series, each with an executed price being the executed price of the HIBOR strip.

TRADING PROCEDURES FOR EXCHANGE FUND NOTE FUTURES ("EFN FUTURES") TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE ("HKATS")

CHAPTER 4
DEALING FUNCTIONALITY

4.4.4   In the event an Order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual market series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the EFN Futures Contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.