CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

101. In these Options Trading Rules, unless the context otherwise requires:-

"Currency of the Contract"	has the same meaning as in the Clearing Rules;
" Renminbi" or "RMB "	means the lawful currency of the People's Republic of China excluding, for the purposes of this definition only, Hong Kong, Macau and Taiwan;
"Settlement Currency"	has the same meaning as in the Clearing Rules;
"Hong Kong dollars" or~~and~~ "HK$"	means the lawful currency of Hong Kong;

SECOND SCHEDULE

MARKET MAKER OBLIGATIONS

2. A Market Maker's obligations, in respect of each trading day, shall commence ~~at~~ five minutes after market opens~~10:05 a.m.~~ or when the bid/offer spread in the underlying security is at the minimum allowed under the Exchange Rules, whichever occurs earlier.

3. The maximum bid/offer spread is as follows:

Option Series	Option Class	
	Liquidity Level 1	Liquidity Level 2
Spot month with 3 days or less to expiry	20% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot month with 4 days or more to expiry and the two next calendar expiry months	10% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	10% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.
The next 2 calendar quarter expiry months	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 6 times the best bid/offer spread of the underlying securities, whichever is the lower.
The 3rd calendar quarter expiry month and any other longer-dated expiry month as the Exchange deems necessary	20% of the bid price of the quote or 8 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 12 times the best bid/offer spread of the underlying securities, whichever is the lower.

Notwithstanding the above, a ~~m~~Market ~~m~~Maker will not be obliged to quote a spread narrower than the best bid/offer of the underlying ~~share~~ security (at the time of issuing the quote) plus ~~$0.05~~ 5 minimum price fluctuations (if the numerical value of the -nominal price of such underlying security is below 100) or plus 10 minimum price fluctuations (if the numerical value of the nominal price of the underlying security is equal to or above 100), and a Market Maker will not be obliged to quote for the bid side in response to a quote request for a far out-of-the-money Contract which has a value near zero. A Market Maker shall remain obliged to quote for the sell side by issuing a sell limit order with a limit price no greater than 10 minimum price fluctuations within the required response time and for the minimum required quantity and duration. ~~If, at the time of issuing the quote, the nominal price of the underlying share is $100 or more, then the market maker will not be obliged to quote a spread narrower than the best bid/offer spread of the underlying share (at the time of issuing the quote) plus $0.10.~~

7. Market Ma~~r~~kers will be entitled to a reduced trading tariff as set forth in Appendix A to –the Operational Trading Procedures upon meeting the market making obligation requirements on a monthly basis.~~The trade tariff (but no other fees) will be discounted for a Market Maker as follows:-~~

~~For option classes categorised as Tier 1 option classes pursuant to the Operational Trading Procedures:~~

~~(1) Market Makers which have elected to respond to quote requests and have responded to 70 percent or more quote requests per option class in a month shall pay a reduced tariff of $1.50 per contract side on each transaction effected in such option class or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for 70 percent or more of the trading hours of such option class in a month shall pay a reduced trading tariff of $1.50 per contract side on each transaction effected in such option class; and~~

~~(2) [Repealed]~~

~~(3) Market Makers which have elected to respond to quote requests and have responded to less than 70 percent of quote requests per option class in a month will not receive a fee discount or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for less than 70 percent of the trading hours of such option class in a month will not receive a fee discount.~~

~~For option classes categorised as Tier 2 option classes pursuant to the Operational Trading Procedures:~~

~~(1) Market Makers which have elected to respond to quote requests and have responded to 70 percent or more quote requests per options class in a month shall pay $0.80 per contract side on each transaction effected in such option class or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for 70 percent or more of the trading hours of such option class in a month shall pay $0.80 per contract side on each transaction effected in such option class; and~~

~~(2) Market Makers which have elected to respond to quote requests and have responded to less than 70 percent of quote requests per options class in a month will not receive a fee discount or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for less than 70 percent of the trading hours of such option class in a month will not receive a fee discount.~~

10. A Market Maker, in responding to a quote request, is not required to bid if the offer is at or below 10 minimum price fluctuations~~$0.10~~.

SIXTH SCHEDULE

STANDARD CONTRACT

3. **Price**: The price which determines the Premium payable in respect of an Options Contract shall be quoted in the same currency as that in which the underlying securities are traded on the Exchange ~~Hong Kong dollars~~ by reference to one share of the underlying securities.

4. **Premium**: The Premium payable in respect of an Options Contract shall be the product of the price and the number of underlying securities comprised in the lot the subject of such Options Contract. The buyer shall pay, and the seller shall receive, the Premium on the day and by the time specified for that purpose in the Rules. All payments of Premium shall be in ~~Hong Kong dollars~~ the Settlement Currency and shall be effected in the manner specified for that purpose in the Rules.

12. **Definitions**: The definitions that follow form part of these terms and conditions.

In these terms and conditions, words and expressions defined in the Rules have the same meanings and, in addition, the following words and expressions have the following meanings:-

"Settlement Amount", in respect of an Options Contract which has been exercised, means the amount in ~~Hong Kong dollars~~ the Settlement Currency equal to the product of the strike price and the number of underlying securities comprised in the lot the subject of such Options Contract; and