June 2019

HANG SENG INDEX FUTURES AND OPTIONS

(including Mini Contracts And Flexible Hang Seng Index Options)

THE BENCHMARK FOR HONG KONG STOCK MARKET

The Hang Seng Index (HSI), the leading barometer of Hong Kong stock market, is one of the best known indices in Asia and is widely used by fund managers as their performance benchmark. Since its introduction on 24 November 1969, regular adjustments of HSI constituent stocks have been made to reflect the importance of different industry sectors and to keep track of the closer economic ties between Hong Kong and Mainland China. Despite the enormous growth in the Hong Kong stock market over the years, the HSI has been proven to be an effective tool to track the overall performance of the Hong Kong stock market.

HANG SENG INDEX

The HSI is a market capitalisation-weighted index (shares outstanding multiplied by stock price) with a 10 per cent cap on each constituent weighting. The constituent stocks are grouped under Commerce and Industry, Finance, Properties and Utilities sectors. The constituent stock list of HSI is reviewed quarterly.

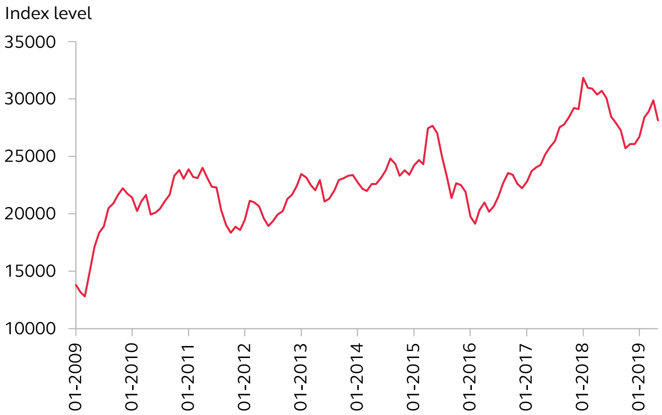
HANG SENG INDEX FUTURES AND OPTIONS (including Flexible Hang Seng Index Options)

The HSI is commonly used as the base index for variety of derivatives products. HSI futures contracts were introduced in May 1986 followed by the introduction of HSI options contracts in March 1993. Together these contracts provide investors with a set of effective instruments to manage portfolio risk. HSI futures and options have become very popular with increasing domestic and international investors' participation. Flexible Hang Seng Index Options contracts were launched in February 2010, providing flexibility in strike prices and expiry months. Figure 1 shows the HSI performance and Figure 2 shows average daily volume of HSI Futures and Options.

MINI-HANG SENG INDEX FUTURES AND OPTIONS

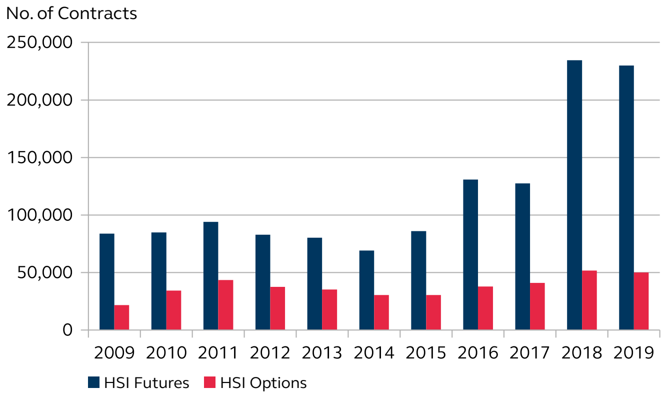
Mini-HSI futures and options contracts were launched in October 2000 and November 2002 respectively to serve the trading and hedging needs of retail investors. Mini-HSI futures and options contracts are one-fifth the size of standard HSI futures and options contracts.

Figure 1: HSI Performance from January 2009 to May 2019*



Source: Bloomberg

Figure 2: Average Daily Volume of HSI Futures and Options*



Source: HKEX

* Data as at 31 May 2019

HSI FUTURES (Standard and Mini) CONTRACT SUMMARY*:

Hang Seng Index Futures	Standard Contracts	Mini Contracts
Underlying Index	Hang Seng Index	
Contract Multiplier	$50 per index point	$10 per index point
Minimum Fluctuation	One index point	
Contract Months	Short-dated Futures: Spot, next calendar month and next two calendar quarter months Long-dated Futures: the following five December months	Short-dated Futures: 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	9:15 am – 12:00 pm, 1:00 pm – 4:30 pm & 5:15 pm – 3:00 am (Closed at 4:00 pm on the Last Trading Day)	
Last Trading Day	The business day immediately preceding the last business day of the contract month	
Final Settlement Price	Average of quotations of the Hang Seng Index taken at five minute intervals during the Last Trading Day	
Exchange Fee	$10.00	$3.50

HSI OPTIONS (Standard, Mini and Flexible) CONTRACT SUMMARY*:

Hang Seng Index Options	Standard Contracts		Mini Contracts		Flexible Contracts
Underlying Index	Hang Seng Index				
Product Code	HSI		MHI		XHS
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 three calendar months, next three calendar quarter months Long-dated Options: the next three months of June & December and the following three December months		Short-dated Options: Spot, next calendar, & 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: At or above 8,000 Long-dated options Index points: At or above 19,000	Intervals 200 1,000	Short-dated options Index points: At or above 8,000	Intervals 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 & 5:15 pm – 3:00 am (Closed at 4:00 pm on the Last Trading Day)				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 Hang Seng Index taken at five minute intervals during the Expiry Day				
Exchange Fee	$10.00		$2.00		$10.00

* Please visit the HKEX website (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 HSI Futures And Options	
Proven Benchmark	• HSI is a benchmark for the Hong Kong stock market and yardstick of portfolio performance.
High Liquidity	• The HSI futures and options markets are characterised by their trading liquidity and the active participation by both local and overseas investors.
High Cost Effectiveness	• HSI futures and options are traded on a margin basis. The margin is only a fraction of the contract value.
Flexible Tool	• Options are extremely versatile investment tools with unique risk and reward structures.
Efficient Markets	• Standardised futures and options provide orderly, transparent and efficient markets.
Low Counterparty Risk	• The HKFE Clearing Corporation Limited, an HKEX subsidiary, acts as a central counterparty to every trade executed through HKEX so the counterparty risk is minimal.

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	• Users can create combinations with up to FOUR legs and place orders with one net price.
Auto-Matching	• TMC orders will be ranked and matched by HKATS automatically according to price / time priority.
Quote Request	• Users can send quote requests for a TMC.
Certainty of Execution	• Option strategy order will be executed only if all legs are simultaneously executed with no risk of any failed legs.
Versatile Facility for Rollover & Hedging	• Rollover and hedging can be done more easily and efficiently.

* Please visit the HKEX website (www.hkex.com.hk) for details which may be updated from time to time.

LIST OF INFORMATION VENDORS AND ACCESS CODES

Name	HSI Futures	HSI Options	Flexible HSI Options	Mini-HSI Futures	Mini-HSI Options
AAStocks.com Ltd	221000	322000	–	221004	322010
ACTIV Financial Systems, Inc.	HSI/yym.HF	Call: HSI/ym/sC.HF Put: HSI/ym/sP.HF	Call: XHS/ym/sC.HF Put: XHS/ym/sP.HF	MHI/yym.HF	Call: MHI/ym/sC.HF Put: MHI/ym/sP.HF
AFE	830785	833101	873401	830785	833141
Bartech (Int'l) Information Network Ltd	HSImy	–	–	MHImy	–
Bloomberg L.P.	HIA Index CT <GO>	HSI Index OMON <GO>	ERH HKF<GO>	HUA Index CT <GO>	MHSI Index OMON <GO>
ET Net Ltd	"Futures' menu → 'Index Futures Quotation' menu → HSI	"Options' menu → 'Index Options Quotation' menu → Select 'HSI' from Index Options List Box	–	"Futures' menu → 'Index Futures Quotation' menu → MHI	"Options' menu → 'Index Options Quotation' menu → Select 'MHI' from Index Options List Box
Finet Holdings Ltd.	Click "Futures" Button	Click "Options" Button	–	Click "Futures" Button	Click "Options" Button
Infocast Ltd	HSI	HSI	XHS	MHI	MHI
Quick Corp.	FHSI.yymm/HKF	PHSI.yymm*3/HKF	–	FMHI.yymm/HKF	PMHI.yymm*3/HKF
QuotePower International Ltd	P11000	P11300-P11305	–	P11004	P11320-P11325
Reuters Ltd, a Thomson Reuters Company	0#HSI:	0#HSI*.HF	0#XHS*.HF	0#HMH:	0#HMH*.HF
Six Telekurs Ltd	HSIym,113	Call: HSIymcs,113 Put: HSIymps,113	Call: XHSymcs,113 Put: XHSymps,113	MHIym,113	Call: MHIymcs,113 Put: MHIymps,113
Tele-Trend Limited	HIFC	Alt+O → HSI	–	HMFC	Alt+O → MHI
Telequote Data International Ltd	HSImy	HSIOmy	XHSOmy	MHImy	MHIOmy

y: Contract Year   m: Contract Month   s: Strike Price

RESOURCES

HKEX website
www.hkex.com.hk

ENQUIRY

EQD@hkex.com.hk

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