

## REGULATIONS FOR TRADING STOCK INDEX FUTURES CONTRACTS

### INTERPRETATION

001 These Regulations may be cited as the Regulations for trading Stock Index Futures (hereinafter referred to as the “Regulations”).

002 The Exchange Rules and the Clearing House Rules (referred to collectively as the “Rules”) including the definitions, rules of interpretation and administrative provisions shall apply for the purposes of these Regulations. Unless specifically provided otherwise, the terms and expressions set out below shall have the meanings attributed to them herein. In the event of any conflict or inconsistency between the Rules (other than these Regulations) and these Regulations, including the Contract Specifications (which form part of these Regulations), the Regulations shall in all cases prevail.

“Cash Settlement Value” the Final Settlement Price multiplied by the Contract Multiplier;

“Closing Quotation” the quotation established by the Clearing House at the end of a trading session for any Stock Index Futures Contract according to the applicable procedures as prescribed by the Clearing House from time to time;

“Contract Month” the month and year by which that contract is so designated by the Exchange Board for cash settlement under these Regulations and in which cash settlement of that contract must be made in accordance with these Regulations;

“Contract Multiplier” the cash value of one Index point or as otherwise specified by the Exchange from time to time and provided for in the Contract Specifications;

“Contracted Price” the price at which a Stock Index Futures Contract is registered by the Clearing House;

“Contracted Value” the Contracted Price multiplied by the Contract Multiplier;

“Final Settlement Day” the Final Settlement Day as specified from time to time in the Contract Specifications of the relevant Stock Index Futures Contract;

“Last Trading Day”	the Last Trading Day as specified from time to time in the Contract Specifications of the relevant Stock Index Futures Contract;
“Long-dated Futures”	Stock Index Futures with Contract Months for Long-dated Futures as specified in the Contract Specifications;
“Maximum Fluctuation”	the maximum allowable movement in the price of any Stock Index Futures Contract per trading session above or below the last Closing Quotation or such reference price as may be specified by the Exchange from time to time ;
“Minimum Fluctuation”	the minimum allowable movement in the price of any Stock Index Futures Contract as specified in the Contract Specifications;
“Short-dated Futures”	Stock Index Futures with Contract Months for Short-dated Futures as specified in the Contract Specifications;
“Spot Month Futures Contract” and “Spot Month”	in a given month: (i) on day(s) prior to and on the Last Trading Day of that month, a Spot Month Stock Index Futures Contract refers to a Stock Index Futures Contract with a Last Trading Day in that same given month; and (ii) on the day after the Last Trading Day of that month, a Spot Month Stock Index Futures Contract refers to a Stock Index Futures Contract with a Last Trading Day in the immediately following month; and Spot Month shall be construed accordingly;
“Stock Index” or “Index”	an index (including sub-index) that indicates the relative level of prices, value or dividend of a number of stocks whose inclusion and relative representation in the index are determined by reference to certain factors including the current market prices of the stocks and their market capitalisation or an index (including sub-index) that indicates the relative level of volatilities implied by a range of index options contracts;
“Stock Index Futures Contract”	an Exchange Contract subject to these Regulations; and

“Stock Index Futures Market” a Market subject to these Regulations.

## **STOCK INDEX**

003 The method of compilation, computation and dissemination of the Stock Index must have been previously approved by the Exchange and the Commission; the level of the Stock Index must be regularly and broadly disseminated by a person approved by the Exchange and the Commission; and the underlying shares of a Stock Index must reflect a stock market, stock markets or a segment of a stock market, as the case may be, approved by the Exchange and the Commission.

## **CONTRACT SPECIFICATIONS**

004 The terms and conditions for each Stock Index Futures Contract shall include, among other things:-

- (a) Underlying Index;
- (b) Contract Multiplier;
- (c) Contract Months;
- (d) Minimum Fluctuation;
- (e) Maximum Fluctuation;
- (f) Position Limits;
- (g) Large Open Positions;
- (h) Trading Hours;
- (i) Trading Method;
- (j) Final Settlement Day;
- (k) Last Trading Day;
- (l) Final Settlement Price;
- (m) Settlement Currency; and
- (n) Commission Rate.

005 Contract Specifications for Stock Index Futures Contracts may be changed from time to time by the Exchange Board in consultation with the Commission. Exchange Participants shall be given notice of a change in the Contract Specifications prior to implementation of the change.

## **TRADING**

006 Bids and offers for Stock Index Futures Contracts shall be expressed in multiples of the Minimum Fluctuation. The Minimum Fluctuation shall be as prescribed in the Contract Specifications from time to time.

007 Trading in the Stock Index Futures Markets shall be carried out through HKATS in accordance with the Rules of the Exchange, these Regulations and the applicable Procedures.

- 008 The Stock Index Futures Market shall be open for trading in Stock Index Futures Contracts on every Trading Day subject to the Exchange Rules. Trading hours shall be as prescribed by the Exchange Board from time to time.
- 009 Subject to the Exchange Rules, trading in Stock Index Futures Contracts shall cease at the close of trading hours on the applicable Last Trading Day or at such other times as specified by the Exchange Board.
- 010 All disputes as to bids, offers, acceptances or withdrawals during trading sessions shall be governed by the Exchange Rules.

#### **FINAL SETTLEMENT PRICE**

- 011 The Exchange shall, in conjunction with the Clearing House, announce the Final Settlement Price as soon as practicable after it has been determined.
- 012 The Final Settlement Price of a Stock Index Futures Contract shall be a number determined by the Clearing House in accordance with the Contract Specifications.
- 013 If, in the opinion of the Chief Executive, circumstances are developing or have developed which are capable of preventing the calculation of a Final Settlement Price, or which may render a Final Settlement Price unrepresentative of the level of prices at which underlying shares are traded on the Last Trading Day on the stock exchange(s) on which such underlying shares are traded, of the cumulated dividends of such underlying shares on the Trading Day following the Last Trading Day or of the 30-day implied volatility of the underlying options on the Last Trading Day, then the Chief Executive, after consultation with the Commission, may either on his own or in conjunction with the Clearing House take such steps as he deems appropriate to enable the Final Settlement Price to be determined.

#### **CASH SETTLEMENT**

- 014 Trading in Stock Index Futures Contracts shall be conducted in and confined to Exchange Contracts for the delivery, by cash settlement on the Final Settlement Day, of an amount equal to the difference between the Cash Settlement Value and the Contracted Value of such Stock Index Futures Contracts.
- 015 (a) The obligations of the Buyer and the Seller under a Stock Index Futures Contract are as follows:
- (i) If the Contracted Value is less than the Cash Settlement Value, the Seller shall be liable to pay to the Clearing House the difference between the Contracted Value and the Cash

Settlement Value.

- (ii) If the Contracted Value is greater than the Cash Settlement Value, the Buyer shall be liable to pay to the Clearing House the difference between that Contracted Value and the Cash Settlement Value.
- (b) The rights of the Buyer and the Seller under a Stock Index Futures Contract are as follows:
  - (i) If the Contracted Value is less than the Cash Settlement Value, the Buyer shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Cash Settlement Value.
  - (ii) If the Contracted Value is greater than the Cash Settlement Value, the Seller shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Cash Settlement Value.

016 The obligations and rights of the Buyer and the Seller shall be satisfied by cash settlement by or with the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

#### **REGISTRATION**

017 All Exchange Participants trading in Stock Index Futures Contracts shall comply with applicable Procedures. The Clearing House Rules shall govern the registration and clearing of Stock Index Futures Contracts.

#### **MARGIN AND VARIATION ADJUSTMENTS**

018 Clearing House margin, additional margin and variation adjustments shall be set, collected or distributed in respect of Stock Index Futures Contracts in accordance with the Rules.

#### **COMMISSIONS AND LEVIES**

- 019 (a) The rate of commission for each Stock Index Futures Contract shall be negotiable between an Exchange Participant and its Client unless otherwise specified in the Contract Specifications.
- (b) Every Stock Index Futures Contract shall be subject to an Exchange Fee which shall become immediately payable to the Exchange upon registration of the contract with the Clearing House. The Exchange Fee shall be paid to the Exchange through the Clearing House and shall be set by the Exchange Board from time to time.

- (c) Any levies required to be paid pursuant to the Ordinance in consequence of trading in Stock Index Futures Contracts shall be paid to the Exchange through the Clearing House in such manner as the Exchange shall, in consultation with the Commission, prescribe from time to time.

## **DISCLAIMER**

- 020 Every Exchange Participant shall ensure that prior to its accepting or carrying an account for trading in a Stock Index Futures Market on behalf of any Client a disclaimer in the form prescribed by the Exchange Board from time to time is delivered to that Client.

## **POSITION LIMITS**

- 021 (a) The Chief Executive may impose Position Limits on Exchange Participants and their Clients as provided for in the Exchange Rules and such Position Limits shall be specified in the Contract Specifications.
- (b) Subject to Rules 629(e) and 630(e), the Chief Executive may, on a case-by-case basis, increase, decrease or remove the Position Limits imposed pursuant to the Rules by giving notice in writing to the Clearing House, the Exchange Participant and the Commission.
- (c) The Chief Executive shall not be required to give any reasons for his decision to increase, decrease or remove the Position Limits pursuant to the Rules.
- (d) Failure to comply with the Position Limits is governed by the Rules.
- (e) Subject to Rules 629(e) and 630(e), the Chief Executive may approve higher Position Limits for Market Makers.

*Note: The Commission may also impose contract limits under the Ordinance.*

## **LARGE OPEN POSITIONS**

- 022 (a) The Exchange Board shall specify Large Open Positions in the Contract Specifications as provided for in the Exchange Rules.
- (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated HKEX staff as required by the Rules and the Exchange Procedures.

## **APPROVAL TO CONDUCT BUSINESS IN STOCK INDEX FUTURES CONTRACTS**

- 023 (a) Exchange Participants must seek approval from the Exchange in order to trade any Stock Index Futures Contracts.
- (b) In respect of any Stock Index Futures Contract, the Exchange may, in its absolute discretion, grant or withhold such approval or grant its approval subject to such restrictions or conditions, or after granting such approval restrict or attach conditions, as it shall deem fit in view of the matters set out in sub-paragraph (c) and the decision of the Exchange shall be final and conclusive.
- (c) In the exercise of its discretion, the Exchange shall take into account whether an Exchange Participant:-
- (i) (deleted)
  - (ii) is financially and operationally capable of fulfilling all obligations related to participation in the Stock Index Futures Market;
  - (iii) has adequate internal control and risk management procedures in place; and
  - (iv) has installed the HKATS equipment to the satisfaction of the Exchange.

In applying for approval, every person shall follow the procedures prescribed by the Exchange from time to time.

## **MAXIMUM FLUCTUATION**

- 024 The Chief Executive, after consultation with the Commission and the Exchange Board, may from time to time, specify a Maximum Fluctuation. Whenever a Maximum Fluctuation has been specified, trading can only occur at prices within the limit of the Closing Quotation from the last trading session or a reference price specified by the Exchange, plus or minus the Maximum Fluctuation.

## **NON-COMPLIANCE**

- 025 An Exchange Participant which does not comply with these Regulations in any respect (including, without limitation, cash settlement with the Clearing House on the Final Settlement Day) shall be liable to disciplinary proceedings under the Exchange Rules.

026 (deleted)

### **LIQUIDITY PROVISION**

027 Notwithstanding anything contained in the Rules, the Exchange may from time to time, in its absolute discretion, appoint Exchange Participants to provide liquidity for Stock Index Futures Contracts in the Stock Index Futures Market at any time and on such terms and conditions as the parties may agree. For the avoidance of doubt, the terms and conditions of any appointment, including the liquidity providing activities, the liquidity providing arrangements, the liquidity providing requirements, the Exchange fee concessions and/or other incentives upon meeting the liquidity providing requirements, are subject to negotiation between the Exchange and the relevant Exchange Participant and may therefore vary among different appointments of different Exchange Participants.