
Clearing and Settlement Arrangements of Flexible Index Options

- Participating Exchange Participants have to confirm with HKEx that their back-office systems are able to perform clearing and settlement functions for Flexible Index Options.
- The settlement price of Flexible Index Option series will be determined theoretically with reference to the volatilities and underlying prices derived from the market data of the standard series in accordance with the daily closing quotation determination process for daily mark-to-market purpose. The traded prices of Flexible Index Option series will not be used by HKFE Clearing Corporation Limited (HKCC) in the daily closing quotation determination process of the standard series as the range of traded prices may vary significantly from the prevailing market price.
- Positions of Flexible Index Options and standard series which are sharing the same underlying will be margined on a portfolio basis. The concentration risk and capital-based position limits, measures used by the clearing house to mitigate the risk arising from the concentration of open positions in a product and to ensure the risk exposures of the clearing participants in terms of margin liabilities are commensurate with their financial strength with reference to their respective liquid capital levels, will also be determined in combination with the standard series.
- If a standard series coincidentally has the same strike price and expiration as a Flexible Index Option series, the latter will be suspended from further trading. Positions in the 2 series will be kept and treated separately. Exchange Participants who hold opposite positions in the 2 series may request HKCC to perform an internal position close out according to the HKCC procedures.

[Creation of Flexible Index Options](#)

[Execution of Flexible Index Options](#)