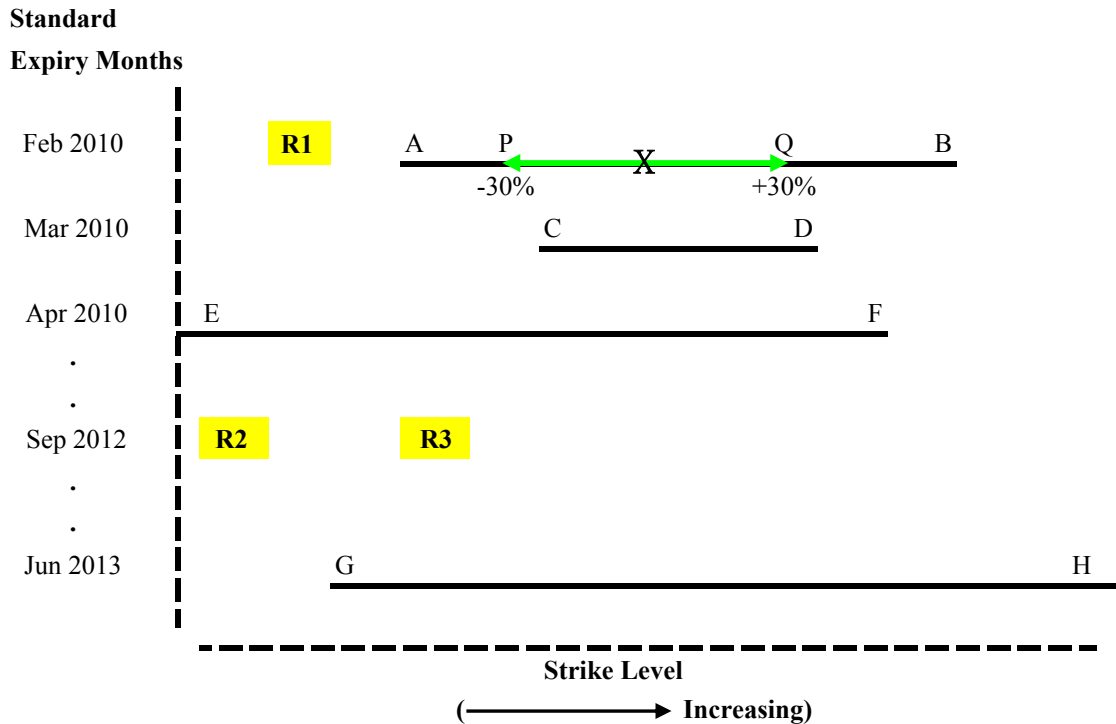

Creation of Flexible Index Options

- Exchange Participants may make requests for the creation of Flexible Index Option series to HKEx from market open until 30 minutes before the close of trading for index options. Exchange Participants may send e-mail according to the attached [format](#) to flexiopt@hkex.com.hk for the request and follow by a call to HKATS hotline (852-2211 6360) to confirm receipt of requests. HKEx will call the Exchange Participants in concern once the series has been created. No request for series creation will be accepted on the expiry day of the contract.
- Strike prices are in whole index points and 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. The acceptable strike prices are illustrated in Appendix I.
- Expiry day must be the second last trading day of any calendar month, and must not be further out than the longest term of expiry months that are available for trading. Please see Appendix II for the contract months available.
- A series will not be created if there is an existing standard series with the same strike price and expiry.
- All Flexible Index Option series that were created in HKATS should be followed by executions through Block Trade Facility on the same day by the respective Exchange Participants. Any series requested to be created but without trades on the same day of creation will be charged a fee of HK\$2,000 per series, with an allowance of 20 series to cater for creation mistakes, on a calendar month basis. HKEx has absolute discretion to decline any requests for the creation of Flexible Index Option series.
- Only Exchange Participants who have indicated to HKEx that their systems are ready through the [attached form](#) will be granted trading access.

[Execution of Flexible Index Options](#)

[Clearing and Settlement of Flexible Index Options](#)

Illustration of Determination of the Acceptable Strike Prices for Flexible Index Options



- Remarks:
- 1) Feb 2010 is the spot month;
 - 2) X is the opening price of spot month futures contract;
 - 3) P↔Q is the acceptable range determined by +/- 30% of X;
 - 4) A-B, C-D, E-F and G-H are the ranges of strike prices for respective expiry months for standard series;
 - 5) For request **R1** with contract month in Feb 2010, it will be accepted if the requested price falls between the largest acceptable range which is determined as follows:
 - (i) Within +/- 30% of current spot month futures opening price, i.e. P-Q; or
 - (ii) Within the ranges of strike prices of the contract month requested, i.e. A-B; or
 - (iii) Within the high-low ranges of all subsequent contract months, i.e. C-D, E-F and G-H, etc.

Amongst (i) to (iii), the lowest strike level is E and the highest strike level is H, hence the overall largest acceptable range is E-H, therefore request **R1** which is within E-H, will be accepted.
 - 6) For request **R2** and **R3** with contract month in Sep 2012, the requests will be accepted if the prices fall between the largest acceptable range which is determined as follow:
 - (i) Within +/- 30% of current spot month futures opening price, i.e. P-Q; or
 - (ii) Within the ranges of strike prices of the contract month requested, i.e. 0 (since no series exist for Sep 2012); or
 - (iii) Within the high-low ranges of all subsequent contract months, i.e. G-H, etc.

Amongst (i) to (iii), the lowest strike level is G and the highest strike level is H, hence the overall acceptable range is G-H, therefore request **R2** which is outside G-H, will be rejected and request **R3** which is within G-H, will be accepted.

Appendix II

Examples of Acceptable Expiry Months for Flexible Index Options

Month \ Year	HSI Index Options								H-shares Index Options					
	2010		2011		2012		2013		2010		2011		2012	
	S	F	S	F	S	F	S	F	S	F	S	F	S	F
January			×	✓	×	✓	×	✓			×	✓	×	✓
February	✓	✓	×	✓	×	✓	×	✓	✓	✓	×	✓	×	✓
March	✓	✓	×	✓	×	✓	×	✓	✓	✓	×	✓	×	✓
April	✓	✓	×	✓	×	✓	×	✓	✓	✓	×	✓	×	✓
May	×	✓	×	✓	×	✓	×	✓	×	✓	×	✓	×	✓
June	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
July	×	✓	×	✓	×	✓	○	○	×	✓	×	✓	○	○
August	×	✓	×	✓	×	✓	○	○	×	✓	×	✓	○	○
September	✓	✓	×	✓	×	✓	○	○	✓	✓	×	✓	○	○
October	×	✓	×	✓	×	✓	○	○	×	✓	×	✓	○	○
November	×	✓	×	✓	×	✓	○	○	×	✓	×	✓	○	○
December	✓	✓	✓	✓	✓	✓	○	○	✓	✓	✓	✓	○	○

Assuming Feb 2010 is spot month

S – Standard Index Options

✓ – Contract Month Acceptable

○ – Contract Month Not Yet Available

F – Flexible Index Options

×

 – Contract Month Not Acceptable