

Hang Seng Index (HSI) Options on Futures are designed for global investors to execute derivative trading strategies on Hong Kong equity. The contracts complement HKEX’s HSI derivatives suite enabling investors to trade and hedge with great flexibility.

## Hang Seng Index

### The benchmark of the Hong Kong stock market

Hang Seng Index, 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.

### Comprehensive product ecosystem

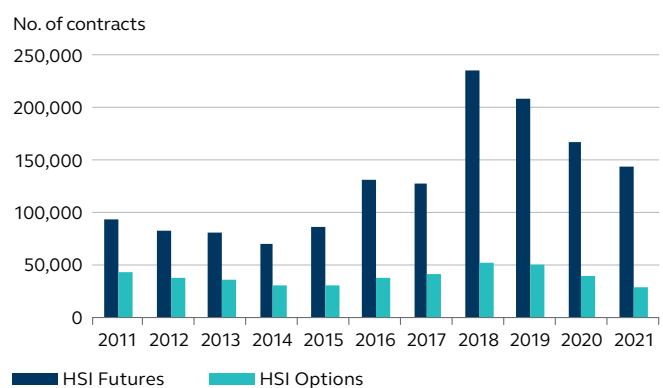
HSI is used as the base index for a wide variety of derivatives products. HSI futures (introduced in May 1986) and options (introduced in March 1993) have become very popular with increasing domestic and international investors’ participation. Together with Flexible HSI Options, Weekly HSI Options, and Mini-HSI Futures and Options, these contracts provide investors with a set of effective instruments to manage risks in Hong Kong equity portfolios.

### HSI performance



Source: Bloomberg, data as at 31 Jul 2021

### Average daily volume of HSI Futures and Options



Source: HKEX, data as at 31 Jul 2021

## Information vendor access code

	Bloomberg L.P.	Refinitiv
Hang Seng Index	HSI	.HSI
Hang Seng Index Futures Options	HIA Index OMON	0#PHS*.HF

# Advantages of trading HSI Options on Futures

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 Options on Futures 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 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.

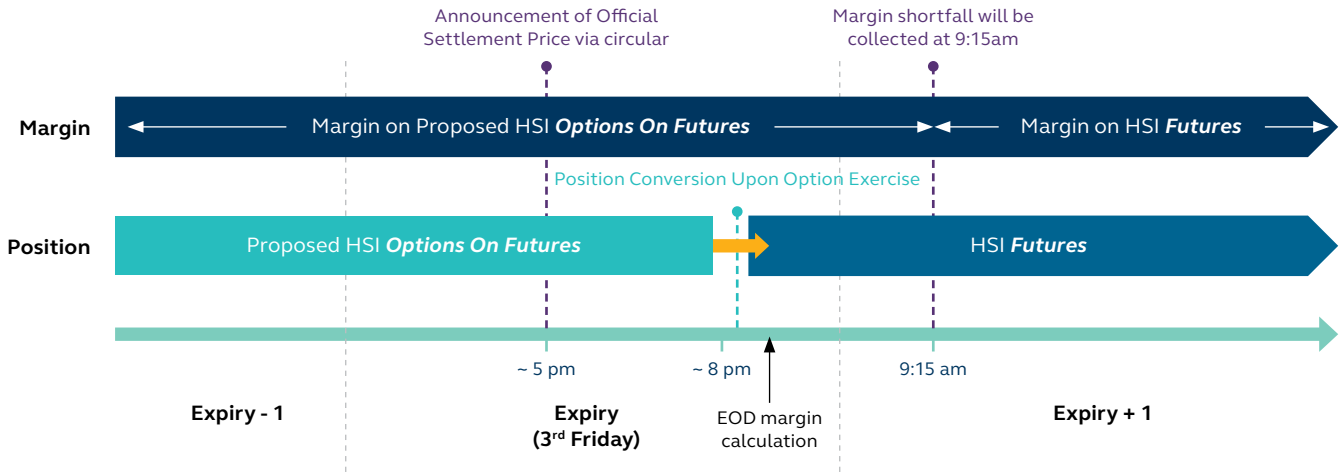
## Contract summary

Underlying	Hang Seng Index Futures traded on the Exchange (HSIF)	
HKATS Code	PHS	
Contract Multiplier	HK\$50 per Index point	
Minimum Fluctuation	One Index point	
Contract Month	Short-dated Options: Spot Month, the next three calendar months and the next three calendar quarter months (i.e. quarter months are March, June, September and December) Long-dated Options: the three months of June and December plus the next three months of December following the Contract Months specified for Short-dated Options	
Exercise Style	European Style	
Option Premium	Quoted in whole index points. The option premium is not paid up front but marked to market on daily basis. During the life of the OOF (including initiation and the exercise/expiry day), the buyer pays (receives) any decrease (increase) in the option's premium as a variation margin.	
Strike Prices	HSIF (Index points)	Intervals
	Short-dated Options	
	Below 5,000	50
	At or above 5,000 but below 20,000	100
	At or above 20,000	200
	Long-dated Option	
	Below 5,000	100
	At or above 5,000 but below 20,000	200
	At or above 20,000	400
Trading Hours (Hong Kong time)	9:15 a.m. – 12:00 noon (morning trading session) 1:00 p.m. – 4:30 p.m. (afternoon trading session) 5:15 p.m. – 3:00 a.m. (after-hours trading session)	
	There is no afternoon or after-hours trading session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m. There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States	
Expiry Day	The third Friday of the Contract Month and if it is not a Business Day, the Expiry Day shall be the preceding Business Day	
Last Trading Day	Same as the Expiry Day	
	9:15 a.m. – 12:00 noon (morning trading session) 1:00 p.m. – 4:00 p.m. (afternoon trading session)	
Official Settlement Price	The Official Settlement Price for HSIF Options shall be a number, rounded down to the nearest whole number, determined by the Clearing House and shall be the average of the quotations of the HSIF Contract of the same Contract Month, taken at five (5) minute intervals from 9:30 a.m. – 12:00 noon and 1:00 p.m.–4:00 p.m. on the Expiry Day of the HSIF Options.	
Exercise On Expiry	All in-the-money options are automatically exercised upon expiry. No overriding instructions would be accepted. Out-of-the-money and at-the-money options will not be automatically exercised upon expiry.	
Exercise Fees	Options that are exercised on Expiry Day shall attract an Exercise Fee of HK\$10.00 per contract. Contracts not exercised will be deemed to have expired worthless and will not attract an Exercise Fee.	
Exchange Fee	HK\$10.00	

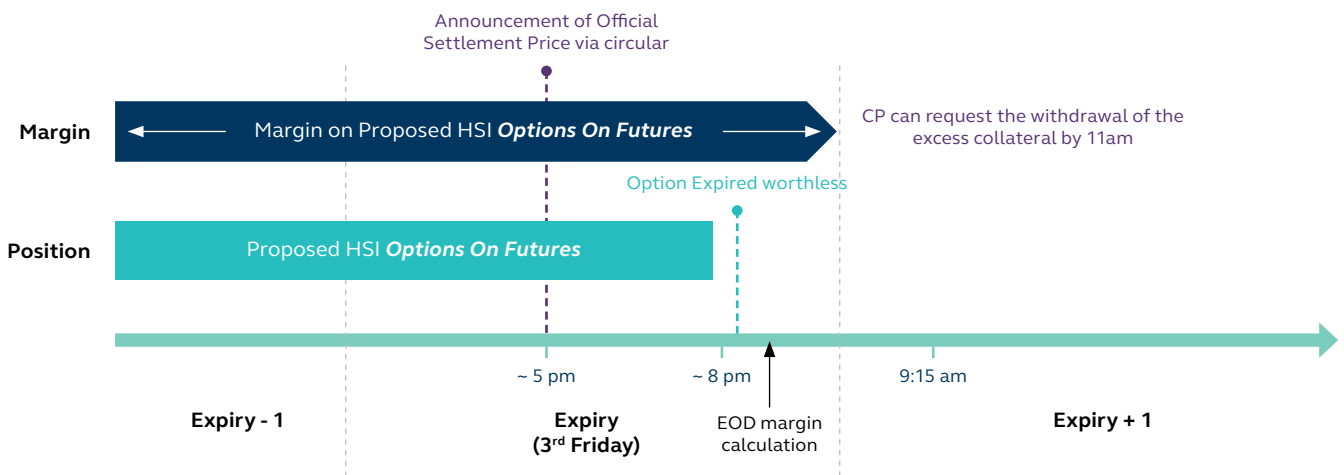


# Margin collection and settlement timeline on Options on Futures exercise and expiry

## In-the-money Options



## At / Out-of-the-money Options



## Notice

Participants should ensure the following before engaging in trading or offering Options on Futures products to clients:

- Ensure systems (including front office and back office systems), operational readiness and complete a Readiness Test successfully in the HKEX testing environment.
- Necessary measures taken to ensure the end users/clients understand the settlement mechanism and risk involved in the new product (e.g. Client-facing staff / clear client interface and client education)
- Thorough and effective communication made to the clients prior to offering, specifically, on the differentiations between Options on Index and Options on Futures products.
- Similar to all physically-settled options, an option position holder should be aware that the final P&L of such position would be affected by the price of the underlying asset.
- There may be cases where the delivered position will incur immediate mark-to-market gain/loss (the price of delivered position may not be the same as official settlement price).
- Participants who do not wish positions to settle into futures could opt to square their positions before expiry or consider the cash-settled Options on Index.
- Participants should closely monitor and manage their risk at all times.

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