

This product sheet is for the purpose of providing guidance to structured products issuers on general product terms. Structured products issuers should consult the Exchange if terms of structured products are deviated from the requirements set out in this product sheet. Investors should refer to the actual terms of the products set out in listing documents in considering their investment decision.

## Callable Bull Bear Contract (CBBC)

### General Product Terms

A CBBC gives its holders the right (but not the obligation) to buy (i.e. bull) or sell (i.e. bear) an underlying asset at a predetermined strike price / level on the expiry date. When the price / level of its underlying asset hits the call price / level, a mandatory call event of the CBBC will be triggered and the CBBC will be terminated.

| Product Terms           |  |
|-------------------------|--|
| <b>Product class</b>    | Leveraged structured product   |
| <b>Style</b>            | European <sup>1</sup>  |
| <b>Category</b>         | Residual value (R)<br>No residual value (N)  |
| <b>Type</b>             | Bull or Bear   |
| <b>Issue size</b>       | Minimum of HK\$10 million in market capitalization   |
| <b>Issue price</b>      | (a) Minimum of HK\$0.25 (not applicable to further issue)<br>(b) Minimum of HK\$0.15 for emulation issue   |
| <b>Underlying asset</b> | <p><u>Securities listed on the Exchange</u></p> <p>(a) A company<sup>2</sup> which is among the top 30 securities with highest turnover value for the previous three-month period and is listed on the Exchange for not less than three months; and</p> <p>(b) A company<sup>2</sup> which has a minimum public float capitalization of HK\$10 billion at end of the period</p> <p><u>Indices</u></p> <p>The Exchange may consider eligibility of overseas stocks and other assets with reference to the factors for consideration set out in the <a href="#">New Product Guide</a></p> <p>The latest list of eligible underlying<sup>3</sup> is set out in the <a href="#">List of eligible underlying assets</a></p> |

<sup>1</sup> Structured products issuers proposing to issue American-style CBBC should provide detailed terms and arrangements for the Exchange's consideration.

<sup>2</sup> Includes an exchange traded fund.

<sup>3</sup> The list is updated quarterly.

## Product Terms

|  |  |
|--|--|
| <b>Expiry date</b>                               | <p>(a) At least three months and not more than five years (not applicable to further issue) from the date of listing</p> <p>(b) In respect of emulation issue, the tenor should be at least three months and not more than five years</p> <p>(c) In respect of using futures contracts for settlement reference, the expiry date should generally be the same as that of futures contracts</p> |
| <b>Conversion ratio</b>                          | <p><u>Listed securities</u></p> <p>(a) One, five, ten, 50, 100 or 500 CBBCs for one share or</p> <p>(b) One CBBC for one, ten or 100 shares</p> <p><u>Indices</u></p> <p>No specific requirements</p>  |
| <b>Board lot</b>                                 | <p><u>Listed securities</u></p> <p>(a) One board lot of the CBBC is entitled to a whole number of board lots of the underlying security; or</p> <p>(b) One board lot of the CBBC is entitled to one tenth of a board lot of the underlying security (applicable to cash settlement only)</p> <p><u>Indices</u></p> <p>10,000 CBBCs</p>   |
| <b>Trading / settlement currency<sup>4</sup></b> | HKD, USD or CNY  |
| <b>Further issue</b>                             | <p>(a) An issuer may only launch a further issue when it holds no more than 50% of the existing issue; and</p> <p>(b) Terms and conditions of the further issue and existing issue must be identical</p>   |
| <b>Emulation issue</b>                           | <p>(a) The expiry date may be up to five business days before or after that of an existing emulated CBBC; and</p> <p>(b) The strike price / level and call price / level may differ by no more than one spread in the underlying listed security from that of an existing emulated CBBC or by no more than 0.5% in other cases</p>   |
| <b>Valuation at expiry</b>                       | <p><u>Listed securities</u></p> <p>The closing price of the underlying securities on the trading day immediately preceding the expiry date</p> <p><u>Indices</u></p> <p>Settlement price of the related futures contracts<sup>5</sup> on the valuation date</p> <p>Note: the valuation date is generally the same as the expiry date, subject to time difference</p>                           |

<sup>4</sup> Currently, where the CBBC is traded in HKD, settlement shall be in HKD. Similarly, where CBBC is traded in USD or CNY, the settlement currency shall be the same as the trading currency. Structured products issuers proposing to issue products traded in one currency but settled in another currency should provide detailed proposals for the Exchange's consideration.

<sup>5</sup> Refers to the futures contract with the same expiry month as that of the CBBC.

| Product Terms   |  |
|---|--|
| <b>Observation period</b>                                       | From the listing date of the CBBCs to the trading day immediately preceding the expiry date (both dates inclusive)   |
| <b>Mandatory call event (“MCE”)</b>                             | A mandatory call event occurs if the spot price / level is at or below (for bull contracts) or at or above (for bear contracts) the call price / level at any time during a trading day in the observation period.   |
| <b>MCE valuation period</b>                                     | The period commencing from the time which the MCE occurs and up to the end of the following trading session  |
| <b>Reference spot price / level to determine residual value</b> | For bull CBBC : the lowest spot price / level of the underlying asset in the MCE valuation period<br>For bear CBBC: the highest spot price / level of the underlying asset in the MCE valuation period   |
| <b>Arrangement upon maturity</b>                                | Automatic settlement without the need to deliver a notice of exercise (applicable to cash settlement only)   |
| <b>Settlement</b>   | Cash settled <sup>6</sup>  |
| <b>Settlement date</b>  | Generally no later than the third settlement day after expiry  |
| Liquidity Provision Requirements <sup>7</sup>                   |  |
| <b>Quote request (“QR”)</b>                                     | (a) Maximum bid-ask spread: 20 spreads<br>(b) Minimum quotation size: 20 board lots<br>(c) Maximum quote response time: 10 minutes<br>(d) Minimum holding time: five minutes<br>(e) QR applies to all CBBCs  |
| <b>Active quote (“AQ”)</b>                                      | (a) Maximum bid-ask spread:<br>(i) 10 spreads for local index<br>(ii) 15 spreads for actively traded stock <sup>8</sup><br>(b) Minimum quotation size: 20 board lots<br>(c) AQ only applies to CBBCs with:<br>(i) an actively traded stock or local index as an underlying;<br>(ii) 50% or less of total issue size outstanding in the market; and<br>(iii) the prevailing price of the underlying stock falls outside 2% of the call price or the prevailing level of the underlying index falls outside 1% of the call level |

Date: 24 March 2023

<sup>6</sup> Structured products issuers proposing to issue physically settled CBBCs should provide detailed terms and arrangements for the Exchange’s consideration.

<sup>7</sup> See the [Industry Principles on Liquidity Provision for Listed Structured Products](#).

<sup>8</sup> Actively traded stock means securities on the [current list of eligible underlying stocks for CBBC issuance](#).

