

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 deviate 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.

## Derivative Warrant (DW)

### General Product Terms

A DW gives its holders the right (but not the obligation) to buy (i.e. call) or sell (i.e. put) an underlying asset at a predetermined exercise price / level on the expiry date.

Product Terms	
<b>Product class</b>	Leveraged structured product
<b>Style</b>	European <sup>1</sup>
<b>Type</b>	Call or Put
<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) (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 which is a member of Hang Seng Index; or</p> <p>(b) A company<sup>2</sup> which has a minimum public float capitalization of HK\$4 billion for a period of</p> <p>(i) 60 consecutive business days during which trading of the underlying shares has not been suspended; or</p> <p>(ii) no more than 70 consecutive business days comprising 60 business days during which trading of the underlying shares has not been suspended and no more than 10 business days during which trading in the underlying shares has been suspended</p> <p><u>Overseas stocks, indices, currencies or commodities</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 DW 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 six 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 DWs for one share or</p> <p>(b) One DW for one, ten or 100 shares</p> <p><u>Indices, currencies or commodities</u></p> <p>No specific requirements</p>
<b>Board lot</b>	<p><u>Listed securities</u></p> <p>(a) One board lot of the DW is entitled to a whole number of board lots of the underlying security; or</p> <p>(b) One board lot of the DW is entitled to one tenth of a board lot of the underlying security (applicable to cash settlement only)</p> <p><u>Indices, currencies or commodities</u></p> <p>10,000 DWs</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 DW; and</p> <p>(b) The exercise price / level may differ by no more than one spread in the underlying listed security from that of an existing emulated DW or by no more than 0.5% in other cases</p>
<b>Valuation at expiry</b>	<p><u>Listed securities</u></p> <p>The average of closing prices of the underlying securities for the five business days prior to 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>

<sup>4</sup> Currently, where the DW is traded in HKD, settlement shall be in HKD. Similarly, where DW 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 DW.



Product Terms	
	<p><u>Currencies</u></p> <p>Exchange rate published by an established source at a particular time on the valuation date</p> <p><u>Commodities</u></p> <p>Settlement price of the related commodity futures contracts<sup>5</sup> on the valuation date; or price quote published by an established source on the valuation date</p> <p>Note: the valuation date is generally the same as the expiry date, subject to time difference</p>
<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>	<ul style="list-style-type: none"> <li>(a) Maximum bid-ask spread: 20 spreads</li> <li>(b) Minimum quotation size: 20 board lots</li> <li>(c) Maximum quote response time: 10 minutes</li> <li>(d) Minimum holding time: five minutes</li> <li>(e) QR applies to all DWs</li> </ul>
<b>Active quote (“AQ”)</b>	<ul style="list-style-type: none"> <li>(a) Maximum bid-ask spread: <ul style="list-style-type: none"> <li>(i) five spreads for local index</li> <li>(ii) 10 spreads for actively traded stock<sup>8</sup></li> </ul> </li> <li>(b) Minimum quotation size: 20 board lots</li> <li>(c) AQ only applies to DWs with: <ul style="list-style-type: none"> <li>(i) an actively traded stock or local index as an underlying;</li> <li>(ii) 50% or less of total issue size outstanding in the market;</li> <li>(iii) time to maturity is 30 calendar days or more; and</li> <li>(iv) moneyness<sup>9</sup> is between 20% in-the-money and 20% out-of-the-money</li> </ul> </li> </ul>

Date: 24 March 2023

<sup>6</sup> Structured products issuers proposing to issue physically settled DW 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](#).

<sup>9</sup> Moneyness of a DW is calculated by dividing the difference between the underlying asset’s price / level and the exercise price / level by the underlying asset’s price / level.

