

香港期貨交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

HONG KONG FUTURES EXCHANGE LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: New Initiatives on Equity Index Options in the After-Hours Trading (T+1) Session

Enquiry: HKATS Hotline¹ Tel: 2211-6360

Reference is made to the circular dated 7 February 2018 (Ref: [MO/DT/026/18](#)) and 17 April 2018 (Ref: [MO/DT/075/18](#)). Following the positive market feedback received after the inclusion of three equity index options, including Hang Seng Index (HSI) Options, Hang Seng China Enterprises Index (HHI) Options, Mini-Hang Seng Index (MHI) Options in the After-Hours Trading (T+1) Session on 14 May 2018, the Exchange is pleased to announce the inclusion of Mini-Hang Seng China Enterprises Index (MCH) Options and the following initiatives in the T+1 Session in order to maintain market quality.

1. Inclusion of Mini-Hang Seng China Enterprises Index Options

To comprehend the product list in the T+1 Session, MCH Options will be included in the T+1 Session on **Monday, 3 December 2018²**.

The Securities and Futures Commission has approved the related amendments to the Rules and Procedures of Hong Kong Futures Exchange Limited and HKFE Clearing Corporation Limited. Details will be announced in a separate circular in due course. For Exchange Participants' (EPs) ease of reference, a summary of the arrangements for inclusion of MCH Options in the T+1 Session is set forth in the Attachment 1.

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

² Effective from 3 December 2018, the T+1 Session for MCH Options will be from 5:15 p.m. to 1:00 a.m.

Inform Your Staff and Clients

EPs should notify their staff and all clients of the details for the inclusion of the MCH Options in the T+1 Session and the associated risks. Please ensure that your trading and back office systems are ready in order for smooth operations upon such inclusion. In addition, staff should be fully aware of the above and should exercise caution when dealing with the Equity Index Options and/or Futures in the T+1 Session and when advising your clients.

2. Remove the Limit of Number of Regular Market Makers in the T+1 Session (T+1 RMMs)

As an effort to encourage liquidity and market makers' participation in Equity Index Options in the T+1 Session, the limit of five Regular Market Makers in the T+1 Session (T+1 RMMs) of each option will no longer be applicable **effective immediately**.

3. Additional Incentives for Eligible T+1 RMMs

T+1 RMMs whose monthly performance meets the market making requirements of Incentive Tier 1 and reaches the defined criteria may receive up to additional 50 OAPI waivers as incentives. Please refer to Attachment 2 for details of the eligible criteria. The additional incentives will be **effective on 1st November 2018** until 31 December 2019.

Interested EPs who wish to have more details on the application of T+1 RMMs and the additional incentives for eligible T+1 RMMs should contact Ms. Emily Huang (EmilyHuang@hkex.com.hk) or Mr. Charles Kwan (CharlesKwan@hkex.com.hk) for further information.

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This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Attachment 1

Arrangements for Inclusion of Mini-Hang Seng China Enterprises Index Options in the T+1 Session

Equity Index Options trading in the T+1 Session with regard to products, trading, clearing and risk management will be implemented as follows:

a) Products

The model will be applicable to Mini-Hang Seng China Enterprises Index (MCH) Options. Flexible options will not be applicable.

b) Trading

i. Trading Hours

The opening time of the T+1 Session will be 45 minutes after the close of the T Session, i.e. 5:15 p.m. for Equity Index Options. Trades executed during the T+1 Session will be registered as the next business day's trades. The T+1 Session will end at 1:00 a.m. in the next calendar day.

ii. Holiday Arrangements

If it is a Hong Kong public holiday or there is half-day trading in the HKEX securities market or it is a bank holiday in both the United Kingdom and the United States, there will be no T+1 Session on that day.

iii. Typhoon or Black Rainstorm Arrangements

Typhoon or Black Rainstorm arrangements for Equity Index Options will follow the same arrangements for Equity Index Futures.

iv. Order Types

All rest of day orders, until expiry orders and specified date orders, by default, will be effective only in T Session and outstanding orders will be carried forward to the next T Session and so on whilst outstanding.

For EPs and their clients participating in after-hours trading need to select the order attribute “T+1” when entering their rest of day orders, until expiry orders and specified date orders for those orders that should be effective for both T Session and the T+1 Session. These orders with “T+1” attribute will be carried forward from T+1 Session and back into T Session and so on whilst outstanding.

Fill-or-kill orders and fill-and-kill orders which are to be executed (or not) immediately, the order attribute “T+1” will not be applicable and will be ignored.

v. Trading Halt Mechanism (THM)

When the highest bid of the THM Reference Contract (i.e. spot month futures) on the buying queues reaches its price which is the THM percentage above the THM reference price (i.e. upper price limit of the spot month futures in the T+1 Session), or its lowest ask on the selling queues reaches its price which is the THM percentage below the THM reference price (i.e. lower price limit of the spot month futures in the T+1 Session), the corresponding instrument session state of such THM Exchange Contract (i.e. the options) will be set to HALT. In such event, trading of the concerned THM Exchange Contract will be suspended for the remaining T+1 session. Trading of the concerned THM Exchange Contract will be resumed upon the beginning of the following T session.

As an illustrative example, when the highest bid of the spot month MCH Futures reaches its upper price limit in the T+1 Session, trading of all MCH Options regardless of strikes or contract expiries will be halted. Trading of HHI Options will be halted only if the same conditions are met in the spot month HHI Futures.

During a trading halt, all orders of the halted THM Exchange Contract will remain but will not be matched. EPs may amend or cancel any of the orders. Note that amendment of order is confined to the following actions during trading halt:

1. Modification of information in Cust and/or Info fields;
2. Change duration of validity;

3. Decrease quantity.

For each THM Exchange Contract, the corresponding THM Reference Contract, the THM reference price and the THM percentage are as follows:

THM Exchange Contract	THM Reference Contract	THM Reference Price	THM Percentage
MCH Options	Spot month MCH Futures	Refers to the reference price of Price Limit Up/Down Mechanism ³	5%

vi. Handling of Error Trades

Existing error trade rules will apply in the T+1 Session.

vii. Tailor Made Combination

Tailor Made Combination will be available in the T+1 Session.

c) Clearing

The T+1 Session Cutoff Time for Equity Index Options will be 1:45 a.m. in the next calendar day. Clearing service will continue in the event of trading halt. Clearing Participants please be reminded that for trades executed in the T+1 Session, Clearing Participants can perform post-trades (i) up to the T+1 Session Cutoff Time; and/or (ii) from 7:30 a.m. on the next Business Day till System Input Cutoff Time at 6:45 p.m. If Clearing Participants want to incorporate those trades executed in the previous T+1 Session in the calculation of Mandatory Intra-day Variation Adjustment and Margin, they should complete the post-trade activities 30 minutes before market open of T Session of the corresponding products.

d) Risk Management

The following risk management arrangements currently applied to positions of Equity Index Futures and Options with the T+1 Session will be extended to cover the newly included MCH Options positions in the T+1 Session:

³ Reference price of Price Limit Up/Down Mechanism can refer to Appendix 6 of [HKATS User's Guide](#)

- i. Monitoring of Clearing Participant's Capital-Based Position Limits (CBPL) on an hourly basis during the T+1 Session⁴; and
- ii. Mandatory Intra-day Variation Adjustment and Margin Call following the market open of each T Session and payable by 12:00 noon.

⁴ Risk Parameter Files (RPF) are generated for CBPL monitoring and will be made available for download hourly in T+1 session under normal circumstances. Please refer to "[RPF for CBPL Monitoring in After-Hours Trading](#)" for more information and download.

Attachment 2

Criteria and Incentives for Eligible Regular Market Makers in the T+1 Session (T+1 RMMs)

A. Criteria

T+1 RMMs shall meet all the conditions below during the month in order to be entitled for the additional incentives listed in section B:

- Meet the market making requirements of Incentive Tier 1; and
- The maximum bid/offer spread of specific contract months meet the requirements in the following table with not less than 70% of the trading hours

Products	Contract Month	Call/Put Option Price	Maximum Bid/Offer Spread
HSIO; HHIO	spot month to 4 th calendar months	1 – 750 points	10 points or 5% of bid price, whichever is higher
		751 points or more	38 points
MHIO; MCHO	spot month and 2 nd calendar months	1 – 750 points	10 points or 5% of bid price, whichever is higher
		751 points or more	38 points

B. Additional Incentives

T+1 RMMs of the respective product(s) who meet the criteria listed in section A would be entitled to OAPI waivers as additional incentives listed below.

Products	Additional Incentives
HSIO	22 waivers (i.e. HK\$57,200 per month or equivalent) for each product
HHIO	
MHIO	3 waivers (i.e. HK\$7,800 per month or equivalent) for each product
MCHO	