

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: Introduction of Hang Seng TECH Index Futures and Options

Enquiry: For technical enquiries:

- HKATS (Hotline¹: 2211-6360 E-mail: hkatssupport@hkex.com.hk)
- DCASS (Hotline: 2979-7222 E-mail: clearingpsd@hkex.com.hk)

For business enquiries:

- Mr. Justyn Ip (Tel: 2211-6150 E-mail: justynip@hkex.com.hk)
- Ms. Flora Lo (Tel: 2211-6137 E-mail: floralo@hkex.com.hk)

Hong Kong Futures Exchange Limited (“the Exchange” or “HKFE”) plans to introduce futures and options contracts based on the Hang Seng TECH Index (“the Proposed Contracts”) on **23 November 2020** and **18 January 2021** respectively (“Tentative Launch Dates”), subject to regulatory approval and market readiness.

Hang Seng Indexes Company Limited (“HSIL”) launched its Hang Seng TECH Index (“HSTECH”) on 27 July 2020. The index tracks the 30 largest technology companies listed in Hong Kong. The introduction of the Proposed Contracts will bring new exposure management products covering the technology sector to Hong Kong.

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

Contract Specifications (subject to regulatory approval)

Key contract specifications of the Proposed Contracts are summarised below:

Contract	HSTECH Futures (Tentative Launch Date: 23 November 2020)	HSTECH Options (Tentative Launch Date: 18 January 2021)								
HKATS Code	HTI									
Underlying Index	Hang Seng TECH Index									
Trading Currency	HKD									
Underlying Index Currency	HKD									
Settlement Method	Cash (HKD)									
Contract Multiplier	HKD 50									
Minimum Fluctuation	1 index point									
Pre-Opening (HK Time)	8:45 am – 9:15 am; 12:30 pm – 1:00 pm	N/A								
Trading Hours (HK Time)	9:15 am – 12:00 pm, 1:00 pm – 4:30 pm (T session); 5:15 pm – 3:00 am (T+1 session)	9:15 am – 12:00 pm, 1:00 pm – 4:30 pm (T session) (Note: There will be no T+1 session for HSTECH Options at launch)								
Trading Hours on LTD	9:15 am – 12:00 pm; 1:00 pm – 4:00 pm									
Trading Day	Hong Kong trading day									
Strike Price	N/A	<table border="0"> <thead> <tr> <th><u>Index Point</u></th> <th><u>Strike Interval</u></th> </tr> </thead> <tbody> <tr> <td>Below 5,000:</td> <td>50</td> </tr> <tr> <td>At or above 5,000, but below 20,000:</td> <td>100</td> </tr> <tr> <td>At or above 20,000:</td> <td>200</td> </tr> </tbody> </table>	<u>Index Point</u>	<u>Strike Interval</u>	Below 5,000:	50	At or above 5,000, but below 20,000:	100	At or above 20,000:	200
<u>Index Point</u>	<u>Strike Interval</u>									
Below 5,000:	50									
At or above 5,000, but below 20,000:	100									
At or above 20,000:	200									
Contract Months	Spot, next calendar month and the following 2 quarterly months.									
Last Trading Day (LTD)	The business day immediately preceding the last business day of the Contract Month.									
Final Settlement Day (FSD)	The first business day after the LTD									
Final Settlement Price (FSP) / Official Settlement Price (OSP)	The average of the underlying index values taken at (i) five (5) minute intervals from five (5) minutes after the start of, and up to five (5) minutes before the end of, the Continuous Trading Session of SEHK; and (ii) the close of trading on SEHK on the LTD, rounded down to the nearest whole number.									
Large Open Position	500 Contracts									
Position Limit	Position delta for HSTECH Futures and Options combined of 21,000 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and Position delta for HSTECH Futures and Options combined of 21,000 long or short in all Contract Months combined, per Client.									
Trading Fee	HKD 5.0	HKD 5.0								
Commission Levy	HKD 0.54	HKD 0.54								
Settlement Fee	HKD 2.5	N/A								
Exercise Fee	N/A	HKD 2.5								

Trading Arrangements

Pre-Launch Arrangements

To facilitate market participants in the trading and clearing of the Proposed Contracts, the following pre-launch arrangements will be made available one business day before the Launch Date:

- a. Trading codes will be displayed on HKATS, but the contracts will not be tradable on that day;
and
- b. Information relating to the Proposed Contracts will be generated in the risk parameter files (“RPF”), clearing and open interest reports.

The purpose of the generation of RPF one business day before the Launch Date is to assist Participants to estimate the margin requirements for trading on the Launch Date. Please note that the margin requirements estimated using the RPF available on the business day before the Launch Date may not be the same as the actual amounts required on the Launch Date. Hong Kong Exchanges and Clearing Limited (“HKEX”) and its subsidiaries accept no liability whatsoever for any loss or damage arising from or in connection with the use of the information contained in such RPF. Participants who wish to use the above-mentioned RPF are reminded to update the PC-SPAN Organisation Master File.

Other Trading Arrangements

- a. The block trade volume threshold is 50 contracts for both the Futures and Options contracts;
- b. Block trade permissible price range are as below (see details in Attachment I):
 - i. Futures: 3% from notation price
 - ii. Options: 10% if the reference price is equal to or larger than 300 index points, or 30 index points if the reference price is smaller than 300 index points;
- c. Error trade price parameter are as below (see details in Attachment I):
 - i. Futures: 3% from notation price
 - ii. Options: 10% if the notation price is equal to or larger than 300 index points, or 30 index points if the notation price is smaller than 300 index points;
- d. Volatility Control Mechanism and price limit will not be applied during T session;
- e. Price limit will be applied in the T+1 session for Futures contracts. The price limit will be +/-5% from the last traded price of each contract month for the respective contracts in the T Session.

- If there is no last traded price of a specific contract month during the T Session, the previous day's daily settlement price of the same contract month will be used as the reference price. For newly listed contract months, the reference price of the preceding contract month will apply; and
- f. The maximum HKATS order size limit is 1,000 contracts. Exchange Participants ("EPs") are required to submit their request to HKFE for setting up their own order size limits based on their business needs and risk management requirements.

Risk Management Arrangements

Margin offset with existing HKFE products (if any) will be offered in PRiME². Clearing Participants ("CPs") can allocate the eligible positions to relevant account(s)³ in accordance with the Clearing House Procedures for margin offset claim purpose. Margin levels and margin offset parameters⁴ will be announced and an update of PC-SPAN Organisation Master File will be made available in due course. More details of the risk management arrangements will be provided in separated HKFE Clearing Corporation Limited ("HKCC") circular in due course.

Trading Fee Discount and Incentive Programs (subject to regulatory approvals)

a. Six-month Market-wide Trading Fee Discount

The Exchange will introduce 50% market-wide trading fee discount for six months upon launch of Proposed Contracts. Below is a summary of the trading fees:

Proposed Contract	From 23 November 2020 to 21 May 2021 (T Session)		From 21 May 2021 (T+1 Session) onwards	
	House and Client accounts	Liquidity Provider	House and Client accounts	Liquidity Provider
HSTECH Futures	HKD 2.5	HKD 1.0	HKD 5.0	To be announced; subject to review after initial program launch

Proposed Contract	From 18 January 2021 to 16 July 2021 (T Session)		From 17 July 2021 (T Session) onwards	
	House and Client accounts	Liquidity Provider	House and Client accounts	Liquidity Provider
HSTECH Options	HKD 2.5	HKD 1.0	HKD 5.0	To be announced; subject to review after initial program launch

For details of the Liquidity Provider Program, please refer to next section.

² Please refer to section 2.7 of [PRiME Margining Guide](#) for details

³ Client Offset Claim Account

⁴ Delta/Spread Ratio and Spread Credit Rate

b. Liquidity Provider and Active Trader Programs

The Exchange will introduce two incentives programs, namely Liquidity Provider (“LP”) Program and Active Trader (“AT”) Program to support the liquidity development of the Proposed Contracts. Please refer to Attachment II for program details. Interested parties should contact Ms. Emily Huang (EmilyHuang@hkex.com.hk) and Mr. Aaron Thio (AaronThio@hkex.com.hk) for further information.

Information Vendor Access Code

The access codes of major information vendors for the underlying index are as follows:

Information Vendor	Bloomberg L.P.	Thomson Reuters
Access Code	HSTECH Index	.HSTECH

More information vendor access codes (including access codes for the Proposed Contracts) will be updated on HKEX’s website (<http://www.hkex.com.hk>) in due course.

SFC Commission Levy Exemption

The Commission Levy will be exempted for the first six months upon launch of Proposed Contracts. Participants are advised to inform their clients of the Commission Levy exemption accordingly.

Proposed Contract	From 23 November 2020 to 21 May 2021 (T Session)	From 21 May 2021 (T+1 Session) onwards
HSTECH Futures	Nil	HKD 0.54

Proposed Contract	From 18 January 2021 to 16 July 2021 (T Session)	From 17 July 2021 (T Session) onwards
HSTECH Options	Nil	HKD 0.54

Promotional Support for EPs

The Exchange will provide promotional items to support EPs in promoting HSTECH Futures and Options business. Interested EPs can contact Mr. Justyn Ip by email (JustynIp@hkex.com.hk)

EPs' Readiness

EPs are required to notify their staff and all interested clients of the details. Please ensure that their trading and back office systems are ready in order for a smooth operation upon the introduction of the Proposed Contracts. In addition, staff should be fully aware of the above and should exercise caution when dealing with the Proposed Contracts and when advising their clients.

Alexander Siu
Co-head of Equities Product Development
Markets Division

This circular has been prepared in English with a Chinese translation. If there is any inconsistency between the two versions, the English version shall prevail.

Block Trade Permissible Price Range

With reference to the HKFE rule 815A (5), the price at which a block trade is executed must be fair and reasonable, and the revised permissible price range for block trades is determined in the following manner:

- (a) When the executed price is at or within the range of highest traded price, lowest traded price, bid and ask price of the contract; or
- (b) When the executed price is within a price range to both sides of a reference price obtained through prevailing market prices, or if necessary, determined as the theoretical values based on the prevailing underlying values. The block trade permissible price range for HSTECH Futures is 3%. The block trade permissible price range for HSTECH Options is 10% if the reference price is equal to or larger than 300 index points, or 30 index points if the reference price is smaller than 300 index points.

Error Trade Parameters

For HSTECH Futures: The price parameters for the purposes of the error trade rule under HKFE Rule 819B is 3% from notional price.

For HSTECH Options: The price parameters for the purposes of the error trade rule under HKFE Rule 819B is 10% if the notation price is equal to or larger than 300 index points, or 30 index points if the notation price is smaller than 300 index points.

Note:

The notation price of Stock Index Futures Contracts will be determined as follows:

- (a) The last traded price within 5 minutes prior to the error trade;
- (b) The mid-point of the best bid/ask price immediately prior to the error trade;
- (c) Last settlement price; or
- (d) The difference of notation prices between the related outright contracts (calendar spread only).

The notation price of Stock Index Options Contracts will be determined as follows:

- (e) The average of the prices of the previous match and the next match in that option series occurring reasonably close to the time of error trade. If this average price fails to reflect a fair price, the notation price will be determined on the basis of item (f) below;
- (f) The reasonable bid and offer prices available around the time of error trade, unless in the sole discretion of the Exchange, this fails to reflect a fair price, in which case the Exchange may consult up to 3 independent market practitioners who have no interest in the trade in order to arrive at a valid notation price.

Notwithstanding the foregoing, the Exchange shall have absolute discretion in determining the notation price.

Liquidity Provider (“LP”) Program

The LP program aims to provide continuous quotes for screen trading in the Proposed Contracts.

	Type 1 LP (HSTECH Futures)	Type 2 LP (HSTECH Options)
Program Period	6 months from product launch, subject to review and adjustment after 3 months of launch	
Eligibility	EPs or direct clients of EPs	
Obligations	<ul style="list-style-type: none"> • Provide 2-way continuous bid/ask quote: (a) 70% of trading hours in T session; (b) 50% of trading hours in T+1 session. • Obligations including quote size and spread will be determined through bidding process. 	<ul style="list-style-type: none"> • Provide 2-way continuous bid/ask quote for 70% of trading hours in T session; • Obligations including quote size and spread will be determined through bidding process.
Quota	<ul style="list-style-type: none"> • 8 (4 for T session, 4 for T+1 session) 	<ul style="list-style-type: none"> • No limit
Incentives:		
Trading Fee Discount	<ul style="list-style-type: none"> • HKD 1.0 (80% discount on standard trading fee) on HSTECH Futures (market making account only) if obligations are met; or • HKD 1.75 (65% discount on standing trading fee) on HSTECH Futures (market making account only) if LPs fail to meet obligations 	<ul style="list-style-type: none"> • HKD 1.0 (80% discount on standard trading fee) on both HSTECH <u>Futures and Options</u> (market making account only) if obligations are met; or • HKD 1.75 (65% discount on standard trading fee) on both HSTECH <u>Futures and Options</u> (market making account only) if LPs fail to meet obligations
Bundled Fee Rebate*	<p>LP shall be entitled to up to HK\$50,000 per trading session in incentives for meeting its obligations, which will be calculated on a calendar month basis and may comprise any or all of the following items:</p> <ul style="list-style-type: none"> • HKD 6.5 (65% of standard trading fee) rebate on HSI Futures on a 1:1 volume basis in the aggregate volume of the Proposed Contracts; • HKD 2.5 (71% of standard trading fee) rebate on HSCEI Futures on a 1:1 volume basis in the aggregate volume of the Proposed Contracts; • Market data fees paid by LP directly or indirectly to HKEX Information Services Limited; 	N/A

	Type 1 LP (HSTECH Futures)	Type 2 LP (HSTECH Options)
	<ul style="list-style-type: none"> • Hosting services fees paid by LP directly or indirectly to HKEX Hosting Services Limited; and • A waiver of up to HK\$2,600 per month of the monthly sub-licence fee for OAPI to HKATS. 	
OAPI Sub-licence Fee Waiver	See item above	<ul style="list-style-type: none"> • 2 OAPIs (i.e. HKD 5,200 per month per LP)

*For the avoidance of doubt, LPs who are eligible to receive a reduction in trading fees for HSI Futures or HSCEI Futures pursuant to another incentive scheme (e.g. as market maker for standard/mini HSI Options / HSCEI Options, or as LP in other Bundled Incentive programs, etc) will not be able to include these already discounted HSI Futures and HSCEI Futures contracts in the 1:1 volume calculation under this incentive scheme for further fee rebates.

Each LP's performance will be measured on per contract per month basis. In the event that an LP fails its obligation, the LP will be required to pay the difference between the discounted trading fee for successfully meeting obligations and the discounted trading fee for failing to meet obligations and there will be no OAPI waiver and bundled fee rebate given to the LP. Should an existing LP not fulfil the obligations for a period of two consecutive months, the Exchange reserves the right to terminate the LP.

Active Trader ("AT") Program

The AT program is designed to reward top performing price taking clients. The details are as follows:

1. Each AT will need to meet a monthly minimum aggregated clearing volume of 500 contracts in HSTECH Futures and Options to be eligible for the incentive. Upon meeting the minimum monthly volume, ATs will receive 65% of standard trading fee rebates in HSTECH Futures and Options.
2. Block volume (i.e. trades reported via Block Trade Facility function in HKATS) will not be counted in the AT program. If AT does not meet minimum monthly clearing volume consistently for two months, the Exchange reserves the right to terminate the AT.
3. Other incentive program details:

Program Period	6 months from the launch of HSTECH Futures, subject to review and adjustment after 3 months of launch
Eligibility	EPs or direct clients of EPs

Attachment III

Disclaimer of Hang Seng Indexes Company Limited

Hang Seng Indexes Company Limited (“HSIL”) currently publishes, compiles and computes a number of stock indexes and may publish, compile and compute such additional stock indexes at the request of Hang Seng Data Services Limited (“HSDS”) from time to time (collectively, the “Hang Seng Indexes”). The marks, names and processes of compilation and computation of the respective Hang Seng Indexes are the exclusive property of and proprietary to HSDS. HSIL has granted to the Exchange by way of licence the use of the Hang Seng Indexes solely for the purposes of and in connection with the creation, marketing and trading of futures contracts based on any of the Hang Seng Indexes respectively (collectively, “Futures Contracts”). The process and basis of compilation and computation of any of the Hang Seng Indexes and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by HSIL without notice and the Exchange may at any time require that trading in and settlement of such of the Futures Contracts as the Exchange may designate be conducted by reference to an alternative index or alternative indexes to be calculated. Neither the Exchange nor HSDS nor HSIL warrants or represents or guarantees to any participant or any third party the accuracy or completeness of the Hang Seng Indexes or any of them and the compilation and computation thereof or any information related thereto and no such warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng Indexes or any of them is given or may be implied. Further, no responsibility or liability whatsoever is accepted by the Exchange, HSDS or HSIL in respect of the use of the Hang Seng Indexes or any of them for the purposes of and in connection with the Futures Contracts or any of them and/or dealings therein, or for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspension, changes or failures (including but not limited to those resulting from negligence) of HSIL in the compilation and computation of the Hang Seng Indexes or any of them or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any participant or any third party dealing with the Futures Contracts or any of them. No claims, actions or legal proceedings may be brought by any participant or any third party against the Exchange and/or HSDS and/or HSIL in connection with or arising out of matters referred to in this disclaimer. Any participant or any third party deals in the Futures Contracts or any of them in full knowledge of this disclaimer and can place no reliance whatsoever on the Exchange, HSDS and/or HSIL. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any participant or third party and HSIL and/or HSDS and must not be construed to have created such relationship.