

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 Physically Settled Options Contracts on Hang Seng Index Futures and Hang Seng China Enterprises Index Futures on 23 August 2021

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Reference is made to the circular (ref: [MO/DT/159/21](#)) dated 20 July 2021, Hong Kong Futures Exchange Limited (“the Exchange” or “HKFE”) is pleased to introduce Physically Settled Options on Futures Contracts (“OOF”) on Hang Seng Index (“HSI”) Futures and Hang Seng China Enterprises Index (“HSCEI”) Futures (collectively as “the Contracts”) on 23 August 2021.

For Contract Specifications, please refer to Attachment I. For the details relating to Trading, Clearing and Settlement and Position Limit, please refer to the [circular](#) issued on 20 July 2021. Relevant rule amendments will be announced via separate circular. More details of the risk management arrangements will be provided in a separate HKCC circular in due course.

### **Information Vendor Access Code**

The access code of major information vendors for HSIF Options and HHIF Options are as follows:

	HSIF Options	HHIF Options
ACTIV Financial	PHS/<yy><mm>/<strike><t>.HF (Note 1)	PHH/<yy><mm>/<strike><t>.HF (Note 1)
Bloomberg L.P.	HIA Index OMON	HCA Index OMON
Colt Technology	PHSmy	PHHmy
ETNet	PHS	PHH

<sup>1</sup> 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](http://www.hkex.com.hk/eng/global/privacy_policy.htm)

	HSIF Options	HHIF Options
Infocast Ltd	PHS	PHH
N2N-AFE	873301-13	873321-33
Refinitiv	0#PHS*.HF	0#PHH*.HF

Note 1: <yy>=year number, <mm>=month number, <strike>=strike price integer, <t>=C or P

More information vendor access codes will be published on HKEX's website (<http://www.hkex.com.hk>) in due course.

### **Participants' Readiness**

Participants are required to notify their staff and all interested clients the details of the Contracts. Please ensure that their trading, clearing, and back office systems, including OAPI program and other operational arrangements are ready in order for a smooth operation upon the introduction, specifically to the options exercise event. In addition, staff should be fully aware of the above and should exercise caution when dealing with the Contracts and when advising their clients.

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

1. Ensure systems (including front office and back office systems) and operational readiness and complete a Readiness Test successfully in the HKEX testing environment
2. 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)
3. Thorough and effective communication made to the clients prior to offering, specifically, on the differences between Options on Index and Options on Futures products.

Sanly Ho  
Co-Head  
Trading Department  
Operations Division

*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 I**

Contract Specifications  
For  
Hang Seng Index Futures (HSIF) Options

The following Contract Specifications shall apply to the Hang Seng Index Futures Option Contract:-

Underlying	Hang Seng Index Futures traded on the Exchange
Contract Multiplier	HK\$50 per Index point*
Contract Months	<p>For 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)</p> <p>For 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</p>
Trading Hours (Hong Kong time)	<p>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)</p> <p>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.</p> <p>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States</p>
Trading Hours on Last Trading Day (Hong Kong time)	<p>9:15 a.m. – 12:00 noon (morning trading session) 1:00 p.m. – 4:00 p.m. (afternoon trading session)</p> <p>There shall be no afternoon or after-hours trading session if the Expiry Day falls on Christmas Eve, New Year’s Eve or Lunar New Year’s Eve</p>
Trading Method	The Exchange’s Automated Trading System (HKATS)

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
Option Premium	Option Premium is quoted in whole Index points
Contracted Value	Option Premium multiplied by the Contract Multiplier

Strike Prices shall be set as follows:

<u>HSIF (Index points)</u>	<u>Intervals</u>
<i>Short-dated Options</i>	
Below 5,000	50
At or above 5,000 but below 20,000	100
At or above 20,000	200
<i>Long-dated Options</i>	
Below 5,000	100
At or above 5,000 but below 20,000	200
At or above 20,000	400

On any Business Day, new consecutive Strike Prices may be set for, or added to, each Short-dated Option Contract (other than the Spot Month Option Contract on or after the 5<sup>th</sup> Business Day preceding the Expiry Day) such that at all times there will be Strike Prices representing not less than 10% above, at, and not less than 10% below the at-the-money Strike Price of the Option Contract. On any Business Day in a given month, the at-the-money Strike Price of each Short-dated Option Contract shall be the previous Business Day's Closing Quotation (as defined in the Clearing House Rules) of (i) the Spot Month HSIF Contract for any day prior to the Expiry Day; and (ii) the next month HSIF Contract for any day on or after the Expiry Day, rounded off to the nearest Strike Price, unless the Closing Quotation is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price

For Long-dated Options, Strike Prices shall be set or added in the same manner as for Short-dated Options except that there shall at all times be Strike Prices representing 20% above, at and 20% below the at-the-money Strike Price, rounded off to the nearest Strike Price, unless the 20% is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price

For both Short- and Long-dated Options, Strike Prices shall be set on a temporary basis at other intervals as may from time to time be determined by the Chief Executive in consultation with the Commission or at other intervals as may from time to time be determined by the Board in consultation with the Commission. The Exchange reserves the right to introduce new or delete existing Strike Prices at any time

Exercise Style	European Style options which may only be exercised on Expiry Day
Settlement on Exercise	Physical Delivery on Exercise. Exercise results in a long position in the HSIF Contract with the same Contract Month for a Holder of a Call Option or a Writer of a Put Option and a short position in the HSIF Contract with the same Contract Month for a Holder of a Put Option or a Writer of a Call Option, with a Contracted Price which is equal to the Strike Price of the Option. All in-the-money options are automatically exercised upon expiry. No overriding instructions would be accepted
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**. The Chief Executive of the Exchange has the power under the Regulations for Trading Stock Index Option Contracts to determine the Official Settlement Price under certain circumstances
Position Limits	Position delta for Hang Seng Index Options, Hang Seng Index Futures Options, Hang Seng Index Futures, Mini-Hang Seng Index Futures, Mini-Hang Seng Index Options, Hang Seng Index (Gross Total Return Index) Futures, Hang Seng Index (Net Total Return Index) Futures and Weekly Hang Seng Index Options combined of 10,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng Index Futures or Mini-Hang Seng Index Options shall not at any time exceed 2,000 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf. For this purpose, (i) the position delta of one Mini-Hang Seng Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng Index Option Contract; and (ii) the position delta of one Hang Seng Index

(Gross Total Return Index) Futures Contract and one Hang Seng Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng Index Futures and will be announced by the Exchange from time to time; and

Position delta for Hang Seng Index Options, Hang Seng Index Futures Options, Hang Seng Index Futures, Mini-Hang Seng Index Futures, Mini-Hang Seng Index Options, Hang Seng Index (Gross Total Return Index) Futures, Hang Seng Index (Net Total Return Index) Futures and Weekly Hang Seng Index Options combined of 10,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng Index Futures or Mini-Hang Seng Index Options shall not at any time exceed 2,000 long or short in all Contract Months combined, per Client. For this purpose, (i) the position delta of one Mini-Hang Seng Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng Index Option Contract; and (ii) the position delta of one Hang Seng Index (Gross Total Return Index) Futures Contract and one Hang Seng Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng Index Futures and will be announced by the Exchange from time to time

Large Open Positions	500 open contracts, in any one series, per Exchange Participant for the Exchange Participant's own behalf; and  500 open contracts, in any one series, per Client
Minimum Fluctuation	One Index point
Trading Fee (per contract per side)	Exchange Fee <span style="float: right;">HK\$10.00</span>  The amount indicated above is subject to change from time to time
Levies (per contract per side)	Commission Levy and Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance
Cabinet Trade	No Exchange Fee is payable. Commission Levy and Investor Compensation Levy are applicable
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

Commission Rate                      Negotiable

\* Same as the HSIF Contract

\*\* The quotation for each five-minute period shall be taken according to the following sequence: (1) the last traded price of the underlying HSIF Contract within the five-minute period; and if not available, (2) when both bid and offer prices are available, the mid-price of the last highest bid and lowest offer prices on the order book of the underlying HSIF Contract; and if no bid or offer price is available, (3) the index level of the Hang Seng Index as disseminated by the index provider at the end of the five-minute period, as adjusted by the premium or discount calculated on the previous Business Day. The premium or discount is computed by taking the difference between the daily Closing Quotation of the underlying HSIF Contract (as determined by the Clearing House pursuant to the Clearing House Rules) and the closing price of the Hang Seng Index

Where the Last Trading Day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve, the Official Settlement Price 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

Where trading of the underlying HSIF Contract is not available due to typhoon, Extreme Conditions, black rainstorm warnings or otherwise during part of a trading day, the Official Settlement Price shall be the average of all available quotations of the HSIF Contract taken at five (5) minute intervals during such trading day



Contract Specifications  
For  
Hang Seng China Enterprises Index Futures (HSCEIF) Options

The following Contract Specifications shall apply to the Hang Seng China Enterprises Index Futures Option Contract:-

Underlying	Hang Seng China Enterprises Index Futures traded on the Exchange
Contract Multiplier	HK\$50 per Index point*
Contract Months	<p>For 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)</p> <p>For 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</p>
Trading Hours (Hong Kong time)	<p>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)</p> <p>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.</p> <p>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States</p>
Trading Hours on Last Trading Day (Hong Kong time)	<p>9:15 a.m. – 12:00 noon (morning trading session) 1:00 p.m. – 4:00 p.m. (afternoon trading session)</p> <p>There shall be no afternoon or after-hours trading session if the Expiry Day falls on Christmas Eve, New Year’s Eve or Lunar New Year’s Eve</p>
Trading Method	The Exchange’s Automated Trading System (HKATS)

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
Option Premium	Quoted in whole Index points
Contracted Value	Option Premium multiplied by the Contract Multiplier
Strike Prices	Strike Prices shall be set as follows:

<u>HSCEIF (Index points)</u>	<u>Intervals</u>
<i>Short-dated Options</i>	
Below 5,000	50
At or above 5,000 but below 20,000	100
At or above 20,000	200
<i>Long-dated Options</i>	
Below 5,000	100
At or above 5,000 but below 20,000	200
At or above 20,000	400

On any Business Day, new consecutive Strike Prices may be set for, or added to, each Short-dated Option Contract (other than the Spot Month Option Contract on or after the 5<sup>th</sup> Business Day preceding the Expiry Day) such that at all times there will be Strike Prices representing not less than 10% above, at, and not less than 10% below the at-the-money Strike Price of the Option Contract. On any Business Day in a given month, the at-the-money Strike Price of each Short-dated Option Contract shall be the previous Business Day's Closing Quotation (as defined in the Clearing House Rules) of (i) the Spot Month HSCEIF Contract for any day prior to the Expiry Day; and (ii) the next month HSCEIF Contract for any day on or after the Expiry Day, rounded off to the nearest Strike Price, unless the Closing Quotation is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price

For Long-dated Options, Strike Prices shall be set or added in the same manner as for Short-dated Options except that there shall at all times be Strike Prices representing 20% above, at and 20% below the at-the-money Strike Price, rounded off to the nearest Strike Price, unless the 20% is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price

For both Short- and Long-dated Options, Strike Prices shall be set on a temporary basis at other intervals as may from time to time be determined by the Chief Executive in consultation with the Commission or at other intervals as may be determined by the Board in consultation with the Commission. The Exchange reserves the right to introduce new or delete existing Strike Prices at any time

Exercise Style	European Style options which may only be exercised on Expiry Day
Settlement on Exercise	Physical Delivery on Exercise. Exercise results in a long position in the HSCEIF Contract with the same Contract Month for a Holder of a Call Option or a Writer of a Put Option and a short position in the HSCEIF Contract with the same Contract Month for a Holder of a Put Option or a Writer of a Call Option, with a Contracted Price which is equal to the Strike Price of the Option. All in-the-money options are automatically exercised upon expiry. No overriding instructions would be accepted
Official Settlement Price	The Official Settlement Price for HSCEIF 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 HSCEIF 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 HSCEIF Options**. The Chief Executive of the Exchange has the power under the Regulations for Trading Stock Index Option Contracts to determine the Official Settlement Price under certain circumstances
Position Limits	Position delta for Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures Options, Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures, Hang Seng China Enterprises Index (Gross Total Return Index) Futures, Hang Seng China Enterprises Index (Net Total Return Index) Futures and Weekly Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf. For this purpose, (i) the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option

Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and (ii) the position delta of one Hang Seng China Enterprises Index (Gross Total Return Index) Futures Contract and one Hang Seng China Enterprises Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng China Enterprises Index Futures and will be announced by the Exchange from time to time; and

Position delta for Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures Options, Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures, Hang Seng China Enterprises Index (Gross Total Return Index) Futures, Hang Seng China Enterprises Index (Net Total Return Index) Futures and Weekly Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined, per Client. For this purpose, (i) the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and (ii) the position delta of one Hang Seng China Enterprises Index (Gross Total Return Index) Futures Contract and one Hang Seng China Enterprises Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng China Enterprises Index Futures and will be announced by the Exchange from time to time

Large Open Positions	500 open contracts in any one series per Exchange Participant for the Exchange Participant's own behalf; and  500 open contracts in any one series, per Client
Minimum Fluctuation	One Index point
Trading Fee (per contract per side)	Exchange Fee <span style="float: right;">HK\$3.50</span>

The amount indicated above is subject to change from time to time

Levies (per contract per side)	Commission Levy and Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance
Cabinet Trade	No Exchange Fee is payable. Commission Levy and Investor Compensation Levy are applicable
Exercise Fee	Options that are exercised on Expiry Day shall attract an Exercise Fee of HK\$3.50 per contract  Contracts not exercised will be deemed to have expired worthless and will not attract an Exercise Fee
Commission Rate	Negotiable

\* Same as the HSCEIF Contract

\*\* The quotation for each five-minute period shall be taken according to the following sequence: (1) the last traded price of the underlying HSCEIF Contract within the five-minute period; and if not available, (2) when both bid and offer prices are available, the mid-price of the last highest bid and lowest offer prices on the order book of the underlying HSCEIF Contract; and if no bid or offer price is available, (3) the index level of the Hang Seng China Enterprises Index as disseminated by the index provider at the end of the five-minute period, as adjusted by the premium or discount calculated on the previous Business Day. The premium or discount is computed by taking the difference between the daily Closing Quotation of the underlying HSCEIF Contract (as determined by the Clearing House pursuant to the Clearing House Rules) and the closing price of the Hang Seng China Enterprises Index

Where the Last Trading Day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve, the Official Settlement Price shall be the average of the quotations of the HSCEIF Contract of the same Contract Month, taken at five (5) minute intervals from 9:30 a.m. – 12:00 noon

Where trading of the underlying HSCEIF Contract is not available due to typhoon, Extreme Conditions, black rainstorm warnings or otherwise during part of a trading day, the Official Settlement Price shall be the average of all available quotations of the HSCEIF Contract taken at five (5) minute intervals during such trading day