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Hong Kong Exchanges and Clearing Limited is a recognized exchange controller under the Securities and Futures Ordinance which is the controller of The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited and OTC Clearing Hong Kong Limited.

通告 CIRCULAR

Subject: End of Stabilization Period and the Coming Arrangement of Calibration Period for Pre-Trade Risk Management (“PTRM”) System Enhancement in Derivatives Market

Enquiry: HKATS Hotline¹ Tel: 2211-6360

Reference is made to the circular (Ref: [MO/DT/231/21](#)) dated 28th October 2021. Following the successful rollout of the Pre-Trade Risk Management System Enhancement (“PTRM 2.0”) for two weeks, Hong Kong Exchanges and Clearing Limited (“HKEX”) is pleased to announce that the Stabilization Period has ended after the close of T session on 12th November 2021 and will proceed to a 3-month “Calibration Period” starting from 15th November 2021.

Arrangement of the Calibration Period (15th November 2021 to 14th February 2022) for setting up the new Execution Throttle Limits

Following the end of Stabilization Period, HKEX will proceed to a 3-month Calibration Period. The 3-month Calibration Period aims to provide existing Exchange Participants (“EP”) with an adaptation period to make assessments on their trading activities before applying the risk limits into this new, mandatory Prescribed Risk Control – Execution Throttle Limits.

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/Global/Exchange/Privacy-Policy?sc_lang=en

Time Table for setting up Execution Throttle Limits:

Date	Event	Description
15 th November 2021	Start of Calibration Period	<ul style="list-style-type: none"> • EPs shall save change a suitable “Execution Throttle Period” as soon as possible for the user-defined observation period (from 300 to 600 seconds) of the utilizations in Execution Throttle Limits during the Calibration Period. Please refer to Appendix I for the detailed procedures
15 th November 2021 to 14 th February 2022	Calibration Period	<ul style="list-style-type: none"> • EPs shall collect the maximum utilizations for the Execution Throttle Limits on a daily basis and use the data as a reference for the risk limit settings. Please refer to Appendix II for the detailed procedures
14 th February 2022	End of Calibration Period – Submission of Proposed Execution Throttle Limits to HKEX	<ul style="list-style-type: none"> • EPs shall submit their proposed Execution Throttle Limits per Pre Trade Limit Groups (“PTLG”) by completing the form – “Notification of Applying Execution Throttle Limits after the Calibration Period” in Appendix III and send it to PTRM_limits@hkex.com.hk after their internal reviews and approval processes • EPs shall input for the first time their proposed Execution Throttle Limits only after they have obtained the acknowledgement from HKEX

All newly created PTLGs by either new or existing EPs after the rollout of PTRM 2.0 on 1st November 2021 shall be notified to HKEX by submitting Form RN – Notification of Applying HKATS Risk Functions Risk Limits for New PTLG in Appendix IV before being set their risk limits for the first time.

PTRM risk limits and settings will be reviewed by HKEX on a regular basis.

HKATS Risk Functions User's Guide (Updated on 1st November 2021)

EPs are highly advised to familiarize themselves with all PTRM Prescribed Risk Controls by referring to the updated HKATS Risk Functions User's Guide:

https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Derivatives/Infrastructure/HKATS/HKATS_Risk_Functions_2_User_Guide.pdf?la=en

For any enquiries, please contact HKATS Hotline at 2211 6360 or email to hkatssupport@hkex.com.hk.

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.

Appendix I

Procedures for modifying Execution Throttle Period at PTRM GUI

- Step 1: Login to PTRM GUI
- Step 2: Select a PTLG, then choose “Execution Throttle Check” tab
- Step 3: Change the Execution Throttle Period into the desired observation period between 300 - 600 seconds. (The default value is set at 600 seconds)
- Step 4: Click the “Save” button on the top right-hand corner

Please refer to Section 3.3.5 in HKATS Risk Functions User’s Guide for details with screenshots of the procedures.

Note to EPs:

Participants can view their daily maximum utilization on each of the Prescribed Risk Controls in the PTRM Utilization Reports (“RX_UTIL”). The maximum utilization of Execution Throttle Limits in the RX_UTIL report reflects the maximum utilization usage of the previous business day within the user-defined Execution Throttle Period set up at Step 3 above.

Appendix II

Checking Maximum Utilizations of Execution Throttle Limits in PTRM RX_UTIL Report

1. Access Report Retrieval Solution² to retrieve PTRM Utilization Report (Report ID: RX_UTIL) of the previous business day
2. Search for the desired PTLG and the Execution Throttle Risk Counters:

PTLG name in RX_UTIL	Execution Throttle Risk Counters in RX_UTIL
HKCxxx_HKyyy_{Name of PTLG} Where Cxxx is the Clearing Participant Mnemonic and yyy is the Exchange Participant Mnemonic	GROSS_FUTURES_LONG_PER_TIME
	GROSS_FUTURES_SHORT_PER_TIME
	GROSS_OPTIONS_LONG_PER_TIME
	GROSS_OPTIONS_SHORT_PER_TIME

3. Record the maximum utilization of the risk counter at the next column

Example:

20211109-

03:22:58.560,HKCxxx,HKyyy,HKCxxx_HKyyy_BASE,GROUP,GROSS_OPTIONS_LONG_PER_TIME,36840,0.2%,20211108-10:53:18.346

Where the maximum utilization of GROSS_OPTIONS_LONG_PER_TIME in this example is HKD 36,840 with the percentage usage at 0.2%.

For details and screenshots regarding the RX_UTIL report, please refer to Page 36-38 in Training Session Materials³ of PTRM 2.0.

² For details about Report Retrieval Solution, please refer to DCASS User Guide

³ Training Session Materials: [https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Derivatives/Trading-Mechanism/Pre-Trade-Risk-Management-\(PTRM\)-System-in-Derivatives-Markets/Training-Session-Materials.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Derivatives/Trading-Mechanism/Pre-Trade-Risk-Management-(PTRM)-System-in-Derivatives-Markets/Training-Session-Materials.pdf?la=en)

Appendix III

**HONG KONG FUTURES EXCHANGE LTD /
THE STOCK EXCHANGE OF HONG KONG LTD**
(A wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd)

HKATS Hotline : 22116360
Email : PTRM_limits@hkex.com.hk

Notification of Applying Execution Throttle Limits after Calibration Period

Particulars of Exchange Participant

Mnemonic	Participant Name
<input type="checkbox"/> HKFE Participant <input type="checkbox"/> Options Trading Exchange Participant	

Contact Person

Name	Tel
Position	E-mail

Exchange Participants are required to set the Execution Throttle Limits through their HKATS Risk Functions Graphical User Interface (“PTRM GUI”) after the end of Calibration Period. Their inputs shall be done with the Exchange on an appointment basis. Please indicate your risk limits below and send them back to the Exchange by email to PTRM_limits@hkex.com.hk in order to obtain an appointment from the Exchange.

For operations details of PTRM GUI, please refer to the HKATS RISK FUNCTIONS USER’S GUIDE:

https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Derivatives/Infrastructure/HKATS/HKATS_Risk_Functions_2_User_Guide.pdf

Mnemonic / Participant Name & Pre-Trade Limit Group	
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The following risk limits for Execution Throttle Limits will be input in HKATS Risk Functions:

Prescribed Risk Control	Risk Limit	Proposed Value
Execution Throttle Limits (Mandatory)	Gross Futures Per Time Long/Short Exposure (HKD)	
	Gross Options Per Time Long/Short Exposure (HKD)	
	Execution Throttle Per Time Notice (%)	
	Execution Throttle Per Time Warn (%)	
	Execution Throttle Period (Sec)	(Should be modified if necessary at the beginning of the Calibration Period. Please refer to Appendix I for details)

We confirm that the following reviews have been done before proceeding to apply Execution Throttle Limits to HKATS Risk Functions:

- 1) Assessments have been made to the trading activities;
- 2) Utilization Reports have been reviewed as a reference to determine the risk limits;
- 3) The risk limits have been reviewed and approved by the authorized person(s) who is/are responsible for the internal risk controls of the company;
- 4) Risk Limit Managers are familiarized with the operations of PTRM GUI; and
- 5) Customers have been informed about HKATS Risk Functions in derivatives market and the possible scenarios of order rejections and cancellations.

Signature of Responsible Officer

Date

Name of Responsible Officer

Appendix IV

Form RN

**HONG KONG FUTURES EXCHANGE LTD /
THE STOCK EXCHANGE OF HONG KONG LTD
(A wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd)**

HKATS Hotline : 22116360
Email : PTRM_limits@hkex.com.hk

Notification of Applying HKATS Risk Functions Risk Limits for New PTLG

Particulars of Exchange Participant

Mnemonic	Participant Name
<input type="checkbox"/> HKFE Participant <input type="checkbox"/> Options Trading Exchange Participant	

Contact Person

Name	Tel
Position	E-mail

New EPs are required to set PTRM risk limits through their HKATS Risk Functions Graphical User Interface ("PTRM GUI") within 6 months. General Clearing Participants ("GCP") are required to complete the pre-trade risk limit settings for an existing Non-Clearing Participants ("NCP") within 4 weeks from the effective day of the clearing agreement.

The input shall be done with the Exchange on an appointment basis. Please indicate your risk limits below and send them back to the Exchange by email in order to obtain an appointment from the Exchange.

For operations details of PTRM GUI, please refer to the HKATS RISK FUNCTIONS USER'S GUIDE:

https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Derivatives/Infrastructure/HKATS/HKATS_Risk_Functions_2_User_Guide.pdf

Mnemonic / Participant Name & Pre-Trade Limit Group	
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The following risk limits will be input in HKATS Risk Functions:

Risk Limit Type	Risk Limit	Proposed Value
Maximum Order Rate Limit	Order Rate Limit	
	Order Rate Period (Sec)	
Maximum Intraday Exposure Limits	Gross Futures Long/Short Exposure (HKD)	
	Net Futures Long/Short Exposure (HKD)	
	Gross Options Long/Short Exposure (HKD)	
	Net Options Long/Short Exposure (HKD)	
	Futures Order Coefficient (%)	
	Options Order Coefficient (%)	
	Intraday Exposure Notice (%)	
Execution Throttle Limits	Intraday Exposure Warn (%)	
	Gross Futures Per Time Long/Short Exposure (HKD)	
	Gross Options Per Time Long/Short Exposure (HKD)	
	Execution Throttle Period (Sec)	
	Execution Throttle Per Time Notice (%)	
Maximum Order Size Limits	Execution Throttle Per Time Warn (%)	
	Max Order Size	To be provided by EPs separately in .csv format
Maximum Block Trade Size Limits	Max Block Trade Size	
Intraday Position Limits	Open Buy	
	Open Sell	
	Traded Bought	
	Traded Sold	
	Total Buy	
	Total Sell	
Total Net Buy		
Total Net Sell		
Block Trade Bought		
Block Trade Sold		
Pos Limits Notice %		
Pos Limits Warn %		

We confirm that the following reviews have been done before proceeding to apply relevant risk limits to HKATS Risk Functions:

- 1) Assessments have been made to the trading activities;
- 2) Utilization Reports have been reviewed as a reference to determine the risk limits;
- 3) The risk limits have been reviewed and approved by the authorized person(s) who is/are responsible for the internal risk controls of the company;
- 4) Risk Limit Managers are familiarized with the operations of PTRM GUI; and
- 5) Customers have been informed about HKATS Risk Functions in derivatives market and the possible scenarios of order rejections and cancellations.

Signature of Responsible Officer

Date

Name of Responsible Officer