

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: Update on Temporary Suspension of Volatility Control Mechanism (“VCM”) for Hang Seng Index Futures Products

Enquiry: HKATS (Hotline¹: 2211-6360)

Reference is made to the circular dated 26 October 2022 (Ref. No.: MO/DT/288/22). After detailed investigation with the external vendor, the root cause of the software issue that led to the temporary suspension of the VCM for Hang Seng Index futures products has been identified.

The investigation found that, under certain conditions, the reference price would not update and the VCM may then be triggered based on an outdated price.

This led to the VCM being triggered inadvertently, for a five minute cooling-off period in the Hang Seng TECH Index November futures contract, at 11:22 am on 25 October 2022. Such reference price applies to the VCM only and does not impact broader trading, or other components of the trading system.

The external vendor is preparing a software update, which will undergo rigorous testing prior to rollout. Further updates on the resumption of the VCM for Hang Seng Index futures products will be made in due course.

During periods of extreme price volatility, the VCM functions to support orderly trading, triggering a five minute cooling-off period if the price level of a contract deviates for more than 5% from the last traded price five minutes ago. Trading is allowed within a pre-defined price band of 5% above or below the reference price during the cooling-off period. The VCM has not previously been triggered since the mechanism was introduced to HKEX’s derivatives market in 2017.

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

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