

香港交易及結算所有限公司是《證券及期貨條例》所述的認可控制人，亦為香港聯合交易所有限公司、香港期貨交易所有限公司、香港中央結算有限公司、香港聯合交易所期權結算所有限公司、香港期貨結算有限公司及香港場外結算有限公司的控制人。

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: Changes on Position Limits and Large Open Position (“LOP”) Reporting Requirements - Frequently Asked Questions (FAQ)**

**Enquiry: [lophkfe@hkex.com.hk](mailto:lophkfe@hkex.com.hk)**

Reference is made to the Circular dated 20 November 2023 (Ref. No: [EQD/08/23](#) and [EQD/09/23](#)). The Stock Exchange of Hong Kong Limited (“SEHK”) and Hong Kong Futures Exchange Limited (“HKFE”) (collectively, the “Exchanges”) will introduce enhancements to derivatives position limits on 22 December 2023.

As part of the continuing efforts to enhance transparency and awareness of our rules and regulations, today the Exchanges are issuing the FAQ to facilitate the market’s understanding of the changes to the relevant rules and regulations.

The Exchange would like to point out that the requirements and examples set out in this FAQ are by no means exhaustive, and participants should always take into consideration their own circumstances and adopt appropriate internal controls and measures to ensure compliance with the relevant rules and regulations.

Participants are encouraged to contact the Market Surveillance and Monitoring Department (email: [lophkfe@hkex.com.hk](mailto:lophkfe@hkex.com.hk)) should they have any question.

**Felix Wang**  
**Head**  
**Market Surveillance and Monitoring**  
**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.*

## **FREQUENTLY ASKED QUESTIONS – Position Limits and Large Open Position (“LOP”) Reporting Requirements**

*(Important Note: This FAQ does not have the force of law, and should not be interpreted in any manner which would override the provision of any applicable law and regulatory requirements and the relevant Exchange Rules and Circulars. This FAQ should be read in conjunction with the Securities and Futures (Contracts Limits and Reportable Positions) Rules (“CLRP Rules”) made under section 35(1) of the Securities and Futures Ordinance (“SFO”), SFC’s Guidance Note on Position Limits and Large Open Position Reporting Requirements (“Guidance Note”), and relevant Exchange Rules and Circulars)*

### **PART 1: POSITION LIMIT MODEL FOR SINGLE STOCK FUTURES**

**Q1: How are the position limits of single stock futures calculated with the introduction of a five-tier model?**

**A:** The position limits for single stock futures will be classified into five tiers, which are 25,000, 20,000, 15,000, 10,000 and 5,000 contracts respectively. The position limit will be determined on a net basis in all Contract Months combined. In addition, each single stock futures is also subject to a single-month position limit which equals two times the net position limit for all Contract Months combined.

#### **Example**

- Position limit for stock future ABC: 25,000 net contracts, in all Contract Months combined, where a single month is 50,000 net contracts.
- Client A holds stock future ABC as follows:-

Contract Month	L or S	Number of Contracts	Breach of Position Limit?
01/2024	L	60,000	<b>Yes</b>
02/2024	S	20,000	No
03/2024	S	30,000	No
<b>All Contract Months Combined</b>	<b>L</b>	<b>10,000</b>	<b>No</b>

- In the above scenario, despite the overall position held by Client A is within the prescribed limit, Client A is considered in breach of the single-month limit for its positions in Contract Month 01/2024 of stock futures ABC.

**Q2: Will the position limit for single stock futures be subject to review on a regular basis?**

**A:** Like single stock options, the position limits of single stock futures will be reviewed on an annual basis to adjust for any substantial changes due to market development. In case any revisions are required, the updated position limits will be announced in December and take effect on the first trading day of April in the following year.

## **PART 2: POSITION LIMIT COMPLIANCE FOR CLEARING PARTICIPANTS**

**Q3: Is a Clearing Participant (“CP”) considered in breach of position limit if it holds positions for a clearing client in excess of the position limit where the aggregated positions held by that clearing client across different CPs are still within the position limit?**

**A:** Participants should note that no person, including CPs which provide clearing services to their clients, can hold or control positions in excess of the position limits unless they are authorized under the CLRP Rules.

It should be noted that while a clearing client may aggregate and net off its positions held across CPs to determine its compliance with the position limits, a CP may breach the position limits if any of the clearing client’s positions held with it exceeds the limits.

All parties, including the clearing client and the CP individually should ensure that their positions do not exceed the prescribed limits. CPs are advised to take note of such possibility of breaching the prescribed limits and communicate or make arrangements with their clients to avoid any breaches. On the other hand, clearing clients who are using multiple CPs to hold their positions should also take necessary measures to ensure that their positions at any of the CPs are within the prescribed limits.

**Example**

- Clearing Client A holds long 13,000 and short 5,000 contracts in Hang Seng China Enterprises Index (“HSCEI”) Futures via CP X and Y respectively.
- Position limit for HSCEI related contracts is 12,000 net long or short delta.

Person	Position Delta in HSCEI related products	Breach of Position Limit
CP X	+13,000	Y
CP Y	-5,000	N
Clearing Client A	+8,000	N

- In the above scenario, Clearing Client A is holding +8,000 net delta, which is within the prescribed limit. However, CP X is considered in breach of the position limit as the position held by it for clearing client A exceeds the prescribed limit (i.e. 13,000 net delta).

**Q4: May a person, who applies for an excess position limit in a contract to facilitate its market making activities, allow for the appointment of more than one CP to hold its positions in the relevant contract?**

**A:** To facilitate the position limit monitoring by CPs, a person who applies and is granted approval for excess position limits in respect of a contract shall (i) appoint only one CP to hold its positions (including the excess positions) in **the relevant contract(s)** and (ii) notify the appointed CP of its excess position limit application.

**Q5: Would a CP be in breach of position limits if it holds excess positions for a client who has been authorised with excess limits?**

**A:** The CP must apply and be authorised for excess position limit under the CLRP rules or the relevant Exchange Rules if it holds excess positions for a clearing client, otherwise the CP will be considered in breach of position limits.

**Q6: How can a CP or GCP apply for excess position limit if it has to hold excess positions for a clearing client who carry out market making activities in SEHK or HKFE?**

**A:** The clearing client and its CP or GCP must apply for an exchange-level excess position limit together. When the clearing client applies for excess position limits, it can also apply on

behalf of its CP or GCP. The application letter can be sent to [HKATSSupport@hkex.com.hk](mailto:HKATSSupport@hkex.com.hk) by email. Please refer to the Circular (Ref. No: [EQD/08/23](#) and [EQD/09/23](#)) for the sample application letter.

**Q7. What are the possible consequences if a CP fails to comply with the position limit requirement?**

**A:** CPs are expected to stay abreast of all the relevant Exchange's rules and regulations applicable to them at all times. A CP, who is aware or made aware of a breach of position limit, should immediately: (a) notify HKFE or SEHK (as the case maybe), and (b) remediate the breach as soon as practicable. The HKFE or SEHK may consider taking disciplinary actions against any non-compliant CP, including but not limited to issuance of warning letters, imposition of fine and initiation of disciplinary proceedings.

**Q8. Is a CP required to aggregate (i) its own positions with its clients' positions or (ii) all clients' positions that it holds in providing clearing service, to determine the position limit and LOP reporting requirements?**

**A:** In general, a CP is not required to aggregate (i) its positions with its clients' positions or (ii) all clients' positions that it holds in providing clearing service if the CP has no discretion in relation to its clearing clients' positions.

### **PART 3: POSITION LIMITS AND LOP REPORTING FOR FUNDS AND UNIT TRUSTS**

**Q9: Is a CP required to monitor or report positions of a client, which is an asset manager, at the fund or sub-fund level?**

**A:** In cases where the client of a CP is an asset manager, the CP shall monitor and ensure that all the positions that it holds for that client (i.e. the asset manager) does not exceed the position limit. It is the asset manager's responsibility to observe position limit compliance and report positions at the individual fund or sub-fund level.

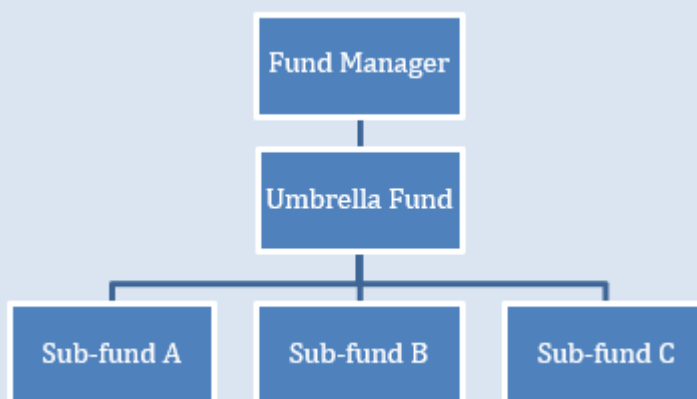
**Q10: What is the implication for an asset manager in fulfilling the position limit and LOP reporting requirement?**

- A:** An asset manager, which is responsible for the day-to-day operation of funds, has the primary responsibility for position limit compliance and reporting obligations at the individual fund and sub-fund level because it controls trading and has first-hand information about fund positions.

Below is an example illustrating how an asset manager is expected to report positions and comply with the prescribed limits under the CLRP Rules.

**Example**

- A fund manager manages multiple sub-funds A, B and C of an umbrella fund.
- Sub-funds A, B and C hold 3,000, 11,000 and 400 Hang Seng Index Futures contracts respectively. The fund manager does not hold any position on its own.
- The reporting level is 500 open contracts in any one contract month and the prescribed limit is 10,000 net long or short delta.



Sub-fund	L or S	Contract month	Contract No.
A	<b>L</b>	01/2024	3,000
B	<b>S</b>	01/2024	11,000
C	<b>S</b>	01/2024	400

**LOP Reporting**

- For LOP reporting, the reporting requirement is measured on a gross basis (i.e. number of open contracts), the aggregate position under the control of fund manager is 14,400 open contracts (i.e. 3,000 in Sub-fund A + 11,000 in Sub-fund B + 400 in Sub fund C), which exceeds the reporting level of 500 open contracts and triggers the fund manager’s reporting requirement.

- The fund manager should notify the Exchange that it has a LOP of 14,400 contracts with a breakdown at each sub-fund level, even though the position under Sub-fund C is below the reporting level.

**Position Limit**

- For determination of compliance with the prescribed limit, the fund manager should calculate both the aggregate position under its control and the positions of each of the funds and ensure none of them exceeds the prescribed limit of 10,000 net long or short delta.
- The aggregate position is 8,400 net short delta under the control of the fund manager. Hence, the fund manager is considered to have complied with the prescribed limit at the fund manager level.
- The positions held by Sub-fund A and Sub-fund C are 3,000 net long delta and 400 net short delta respectively, which are within the prescribed limit.
- However, as **Sub-fund B has a position of 11,000 net short delta, it exceeds the prescribed limit of 10,000 net long or short delta. As such, the fund manager is considered in breach of the position limit requirement at Sub-fund B.**

**Q11: How can an asset manager reports a reportable position for itself and its funds to the Exchange?**

**A:** An asset manager may report the reportable position to HKFE or SEHK (as the case may be) itself or through its agent (e.g. an Exchange Participant) which agrees to make the report on its behalf.

For asset managers which opt to report the reportable position themselves, please see the [Guidelines on Large Open Position Report submission](#) for details of the LOP reporting setup and arrangement.