

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: Enhancements to Derivatives Position Limits  
Enquiry: HKATS Hotline (TEL: 2211-6360)  
Clearing Hotline (TEL: 2979-7222)

Hong Kong Futures Exchange Limited (“HKFE”) will introduce enhancements to derivatives position limits, subject to regulatory approval, on **Friday, 22 December 2023**.

Position limits in the Hong Kong market are applied at two levels: statutory-level and exchange-level. Over the past two years, both Hong Kong Exchanges and Clearing Limited (the “HKEX”) and the Securities and Futures Commission (“SFC”) have consulted the market and concluded on potential changes to the position limit regime. This circular focuses on changes which will be made to exchange-level position limit regime. There are additional changes which will be made to statutory position limit regime. It is strongly recommended that participants review the upcoming changes to statutory position limit regime, detailed in the SFC’s 5 June 2023 “Consultation Conclusions on proposed changes to the Securities and Futures (Contracts Limits and Reportable Positions) Rules and the Guidance Note on Position Limits and Large Open Position Reporting Requirements”<sup>1</sup>.

Unless otherwise defined in this circular, terms used in this circular shall have the same meanings ascribed to them in the Rules, Regulations and Procedures of the Exchange (the “Rules”).

This circular outlines five changes to exchange-level position limit regime. Relevant rule amendments on HKFE and HKFE Clearing Corporation Limited (“HKCC”) will be announced in a separate circular.

<sup>1</sup> <https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=22CP5>

## **1. Application of position limits to Clearing Participants**

To better reflect the regulatory requirements, HKFE will update the relevant Rules to bind Clearing Participants (“CPs”) who are not Exchange Participants (“EPs”) to comply with the exchange-level position limits. The exchange-level position limits will apply to CPs and their clients, in the same way that they currently apply to EPs and their clients.

## **2. Excess position limits for clearing participants**

An authorisation mechanism will be introduced on HKFE and the Stock Exchange of Hong Kong Limited (“SEHK”) to facilitate CPs or General Clearing Participants (“GCPs”) which provide clearing services to their clients, and who are authorised by HKFE or SEHK to apply for excess position limits. Under the authorisation mechanism, a client who applies for an excess position limit must (i) appoint only one CP or GCP to hold its positions in the relevant contracts and (ii) notify the appointed CP or GCP of its excess position limit application; and (iii) the client and its CP or GCP must apply for an exchange-level excess position limit together.

For GCPs who are currently holding excess positions for their clients, they must apply for holding excess positions for their clients by 8 December 2023. Please see Attachment I for the sample application letter. The application letter can be sent to [HKATSSupport@hkex.com.hk](mailto:HKATSSupport@hkex.com.hk) by email. When Non-Clearing Participants (“NCPs”) apply for excess position limits, they can also apply on behalf of their GCPs. Note that each NCP can appoint only one GCP to hold its positions in each relevant contract.

For changes to the position limit regime in the stock options market operated by SEHK, please refer to the circular issued by SEHK dated 20 November 2023 (Circular reference: EQD/08/23).

## **3. Increase of CNH position limits**

HKFE will increase the position limit for USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options contracts from 8,000 to 30,000 long or short position delta for all contract months, combined, and for USD/CNH Futures and USD/CNH Options contracts from 2,000 to 15,000 long or short position delta for the spot month limit, combined.

		<b>Current position limits</b>	<b>Position limits, tentatively effective 22 December 2023</b>
Position delta for the USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options, combined	All contract month position limit	Position delta of 8,000	Position delta of 30,000
Position delta for the USD/CNH Futures and USD/CNH Options, combined	Spot month position limit	Position delta of 2,000	Position delta of 15,000

#### **4. Introduction of tiers for Single Stock Futures (“SSF”)**

Currently, SSF position limits are applied as 5,000 contracts per contract month. Five tiers of SSF position limits will be introduced to reflect the liquidity characteristics of the underlying security. The five tiers are 5,000, 10,000, 15,000, 20,000 and 25,000 contracts. To account for netting through calendar spreads, the position limit will be determined on a net basis across all contract months.

By evaluating on a net basis, it would be possible for a large spread position to be held by a participant. To manage the risk associated with such positions, a single month position limit is proposed, equal to two times the net position limit for the stock futures. For example, if a stock futures has a net position limit of 15,000 contracts, there will be an additional single month position limit of 30,000 contracts.

An overview of the proposed SSF position limit methodology can be found in Attachment II. The tier determination will be conducted in the same cycle that single stock option position limit tiers are applied, with the position limits announced in December and effective from April in the following year. The distribution of SSF across the proposed position limit tiers can be found in Attachment III.

Current SSF position limits	SSF position limits, tentatively effective 22 December 2023	
5,000 contracts in any one Contract Month	Net position limits	Single month position limits
	25,000 contracts	50,000 contracts
	20,000 contracts	40,000 contracts
	15,000 contracts	30,000 contracts
	10,000 contracts	20,000 contracts
5,000 contracts	10,000 contracts	

### 5. Removal of sub-position limit for flagship minis

Exchange-level position limits for flagship contracts include all contract types, including standard futures, mini-futures, index options, weekly index options, mini-index options and futures options. The mini-futures and mini-option positions are prorated. In addition to the aggregate position limit of 10,000 and 12,000 contracts on HSI and HSCEI contracts, sub-position limits of 2,000 and 2,400 contracts are applicable to mini futures and options contracts on HSI and HSCEI, respectively. In order to simplify the position limit structure, HKFE will remove the sub-position limits for “flagship-minis” (referring collectively to Mini-HSI Futures, Mini-HSCEI Futures, Mini-HSI Options and Mini-HSCEI Options). Participants would be subject to one aggregate limit.

Brian Roberts  
 Managing Director  
 Head of Equities Product Development  
 Equities Division

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

**Attachment I**

**Sample Application Letter for Excess Position Limit for Non-Clearing Participant**

[Date]

Hong Kong Futures Exchange Limited  
6/F Two Exchange Square  
8 Connaught Place  
Central, Hong Kong  
Attn: Mr Raymond Wong (Client Services)

Dear Sirs,

Application for Excess Position Limit for Non-Clearing Participant

We would like to apply for excess position limits for holding positions for our client [Name of Non-Clearing Participant] who is a Non-Clearing Participant for market making purposes.

<b>HKFE Product</b>	<b>Requested Position Limit (Number of Contracts)</b>
XXX Index Futures	xxx,xxx
Stock Futures – YYY Co Ltd	xxx,xxx
Stock Futures – ZZZ Co Ltd	xxx,xxx
USD/CNH Futures	xxx,xxx

Should you have any questions, please contact [Contact Person] at [Phone] or [Email].

Yours faithfully  
For and on behalf of  
[Name of GCP]

[Name of GCP's RO]  
Responsible Officer

**Attachment II**

**Mechanism to Assign Tiers for SSF**

**Current Methodology**

*Single Stock Futures*

1. The statutory position limit for SSF is 5,000 contracts for any one contract month. With five contract months listed for each SSF, this means a maximum statutory position limit of 25,000 contracts across all contract months for each SSF. The position limit is measured on a gross basis. Positions in one contract month do not offset with opposite positions in other contract months.
2. HKFE's rules set out the exchange-level position limits on SSF imposed on EPs and, independently, on their clients, which is 5,000 contracts for any one contract month.

**New Methodology**

*The new five-tier SSF position limit model*

3. HKEX will introduce a five-tier model for the exchange-level position limit for SSF. Under the new model, the position limit is set with reference to the market capitalisation and liquidity of the underlying stocks. Details of the methodology are described below.
4. The position limits for each tier are 5,000, 10,000, 15,000, 20,000 and 25,000 contracts respectively.
5. The position limit is set based on the contract-equivalent number and shall be calculated by reference to the market capitalisation and liquidity of the underlying stock relating to the particular SSF.
  - If the contract-equivalent number is equal to or higher than 25,000 contracts, the position limit will be set at 25,000 contracts.
  - If the contract-equivalent number is equal to or higher than 20,000 but lower than 25,000 contracts, the position limit will be set at 20,000 contracts.
  - If the contract-equivalent number is equal to or higher than 15,000 but lower than 20,000 contracts, the position limit will be set at 15,000 contracts.
  - If the contract-equivalent number is equal to or higher than 10,000 but lower than 15,000 contracts, the position limit will be set at 10,000 contracts.
  - If the contract-equivalent number is lower than 10,000 contracts, the position limit will be set at 5,000 contracts.

The tiers are illustrated in the following table.

<b>Tier</b>	<b>Contract-equivalent number (X)</b>	<b>New position limit</b>
1	25,000 contracts $\leq$ X	25,000 contracts
2	20,000 $\leq$ X < 25,000 contracts	20,000 contracts
3	15,000 $\leq$ X < 20,000 contracts	15,000 contracts

4	$10,000 \leq X < 15,000$ contracts	10,000 contracts
5	$X < 10,000$ contracts	5,000 contracts

6. The contract-equivalent number<sup>2</sup> (i.e. “X” in the table above) is equal to 5% of the outstanding shares of the underlying stock divided by the contract size, with a floor and a ceiling applied. The floor and ceiling are both measured in terms of the underlying stock’s six-month turnover. The floor is 25% of the six-month turnover. The ceiling is 33% of the six-month turnover. This is the same methodology currently applied for single stock option position limits.
7. The proposed position limit will be the net position, the combination of positions in all contract months for any particular SSF.

### Prudence Measures

8. In the new model, the calculation of the contract-equivalent number will be subject to an additional liquidity threshold at 1.34% of the past six months’ turnover of the underlying stock. The liquidity threshold could be revised from time to time as deemed appropriate by HKFE.
9. Examples of the calculation of the SSF position limit under the new model are shown in Table 2 below.

Calculation methodology  Underlying stock (stock code)	(a) Projected contract-equivalent number <sup>1</sup> ('000 contracts)	(b) Ceiling and floor <sup>2</sup> ('000 contracts)		(c) Projected contract-equivalent number after applying ceiling and floor <sup>3</sup> ('000 contracts)	(d) Position limit liquidity threshold <sup>4</sup> ('000 contracts)	(e) Projected contract-equivalent number after applying liquidity threshold <sup>5</sup> ('000 contracts)	(f) Proposed position limit <sup>5</sup> ('000 contracts)
		Ceiling	Floor				
Power Assets Holdings Limited (6)	213	243	184	213	9	9	5
Great Wall Motor Co. Ltd. (2333)	14	253	192	192	10	10	10
Agricultural Bank of China Ltd. (1288)	153	385	291	291	15	15	15
Hang Seng Bank Limited (11)	955	559	423	559	22	22	20
Meituan (3690)	551	2,326	1,762	1,762	94	94	25

Source: HKEX, as of 31 October 2022

<sup>2</sup> Contract-equivalent number refers to the number of shares calculated from formula above, and then divided by the contract size.

1 (a) equals 5% of outstanding shares of the underlying stock divided by the SSF contract size. The contract sizes for the stocks are as follows, Power Assets Holdings Ltd: 500 shares; Great Wall Motor Co. Ltd.: 10,000 shares; Agricultural Bank of China Ltd: 10,000 shares; Hang Seng Bank Limited: 100 shares; and Meituan: 500 shares.

2 Ceiling equals 33% of 6-month turnover of underlying stock (divided by SSF contract size); floor equals 25% of 6-month turnover of underlying stock (divided by SSF contract size)

3 Equals the number specified in column (a), subject to the 33% ceiling and 25% floor in column (b), as set out in the methodology in paragraph 6

4 1.34% of 6-month turnover of underlying stock divided by SSF contract size

5 Takes lower of the value from (c) or (d) as specified in paragraph 8

6 Allocation into tier, based on the model detailed in paragraph 5

10. A net position limit allows participants to have a large spread position. To limit the magnitude of a spread position, while providing participants the flexibility to support calendar spread trading, a single-month position limit at two times of the net position limit for all contract months combined is proposed. For example, if a SSF has a net position limit of 20,000 contracts for all contract months combined, the position limit for any one contract month of such SSF may not exceed 40,000 contracts.

11. There will be five tiers of position limits in the new model. The following table illustrates the number of SSF in each tier:

New Model

Position limit (contracts)	Number of SSF
25,000	41
20,000	10
15,000	9
10,000	13
5,000	25

*Based on data from May 2022 to October 2022*



**Attachment III**

**Distribution Single Stock Futures in Tiers**

Subject to regulatory approval, SSF will be distributed in the following position limit levels:

Name	SEHK Code	HKATS Code	Position Limit
The Hong Kong and China Gas Company Limited	3	HKG	25,000
HSBC Holdings Plc.	5	HKB	25,000
Alibaba Health Information Technology Ltd.	241	ALH	25,000
China Petroleum & Chemical Corporation	386	CPC	25,000
Hong Kong Exchanges and Clearing Limited	388	HEX	25,000
Tencent Holdings Limited	700	TCH	25,000
China Telecom Corporation Limited	728	CTC	25,000
PetroChina Company Limited	857	PEC	25,000
CNOOC Limited	883	CNC	25,000
Huaneng Power International, Inc.	902	HNP	25,000
China Construction Bank Corporation	939	CCB	25,000
China Mobile Limited	941	CHT	25,000
Kuaishou Technology	1024	KST	25,000
China Shenhua Energy Co. Ltd.	1088	CSE	25,000
BYD Company Limited	1211	BYD	25,000
AIA Group Ltd.	1299	AIA	25,000
Industrial and Commercial Bank of China Limited	1398	ICB	25,000
Ganfeng Lithium Group Company Limited	1772	GLI	25,000
XiaoMi Corporation	1810	MIU	25,000
China Coal Energy Co. Ltd.	1898	CCE	25,000
COSCO Shipping Holdings Company Limited	1919	COS	25,000
Sands China Ltd.	1928	SAN	25,000
Country Garden Holdings Co. Ltd.	2007	COG	25,000
Li Auto Inc.	2015	LAU	25,000
WuXi Biologics (Cayman) Inc.	2269	WXB	25,000
Ping An Insurance (Group) Company of China, Ltd.	2318	PAI	25,000
Li Ning Company Limited	2331	LNI	25,000
BOC Hong Kong (Holdings) Limited	2388	BOC	25,000
Aluminum Corporation of China Limited	2600	ALC	25,000
China Life Insurance Company Limited	2628	CLI	25,000
Bank of Communications Co., Ltd.	3328	BCM	25,000
Meituan	3690	MET	25,000
China Merchants Bank Co., Ltd.	3968	CMB	25,000
Bank of China Limited	3988	BCL	25,000
JD Health International Inc.	6618	JDH	25,000

Name	SEHK Code	HKATS Code	Position Limit
Haidilao International Holding Ltd.	6862	HDO	25,000
JD.com, Inc.	9618	JDC	25,000
Bilibili Inc.	9626	BLI	25,000
XPeng Inc.	9868	PEN	25,000
Baidu, Inc.	9888	BIU	25,000
Alibaba Group Holding Ltd.	9988	ALB	25,000
Hang Seng Bank Limited	11	HSB	20,000
Geely Automobile Holdings Ltd.	175	GAH	20,000
CITIC Limited	267	CIT	20,000
BYD Electronic International Company Limited	285	BYE	20,000
China Overseas Land & Investment Ltd.	688	COL	20,000
Anhui Conch Cement Co. Ltd.	914	ACC	20,000
Xinyi Solar Holdings Limited	968	SHL	20,000
PICC Property and Casualty Company Limited	2328	PIC	20,000
Zijin Mining Group Co., Ltd.	2899	ZJM	20,000
NetEase, Inc.	9999	NTE	20,000
Galaxy Entertainment Group Ltd.	27	GLX	15,000
China Unicom (Hong Kong) Limited	762	CHU	15,000
China Tower Corporation Limited	788	TWR	15,000
Semiconductor Manufacturing International Corp.	981	SMC	15,000
Agricultural Bank of China Ltd.	1288	ABC	15,000
China Communications Construction Company Limited	1800	CCC	15,000
Ping An Healthcare and Technology Co., Ltd.	1833	PHT	15,000
China Pacific Insurance Group Co. Ltd.	2601	CPI	15,000
Hang Seng China Enterprises Index ETF	2828	HCF	15,000
CK Hutchison Holdings Ltd.	1	CKH	10,000
CLP Holdings Limited	2	CLP	10,000
The Bank of East Asia, Limited	23	BEA	10,000
MTR Corporation Limited	66	MTR	10,000
Kingdee International Software Group Co., Ltd.	268	KDS	10,000
Yankuang Energy Group Co. Ltd.	1171	YZC	10,000
China Cinda Asset Management Co., Ltd.	1359	CDA	10,000
Budweiser Brewing Company APAC Limited	1876	BUD	10,000
AAC Technologies Holdings Inc.	2018	AAC	10,000
Great Wall Motor Co. Ltd.	2333	GWM	10,000
Sunny Optical Technology (Group) Co. Ltd.	2382	SNO	10,000
CITIC Securities Co. Ltd.	6030	CTS	10,000
Trip.com Group Ltd.	9961	TRP	10,000
The Wharf (Holdings) Limited	4	WHL	5,000

Name	SEHK Code	HKATS Code	Position Limit
Power Assets Holdings Limited	6	HEH	5,000
Henderson Land Development Company Limited	12	HLD	5,000
Sun Hung Kai Properties Limited	16	SHK	5,000
New World Development Company Limited	17	NWD	5,000
Swire Pacific Limited 'A'	19	SWA	5,000
Link Real Estate Investment Trust	823	LNK	5,000
Xinyi Glass Holdings Limited	868	GHL	5,000
China CITIC Bank Corporation Ltd.	998	CTB	5,000
New China Life Insurance Co. Ltd.	1336	NCL	5,000
CGN Power Co., Ltd.	1816	CGN	5,000
Sunac China Holdings Ltd.	1918	SUN	5,000
China Minsheng Banking Corp., Ltd.	1988	MSB	5,000
Guangzhou Automobile Group Co., Ltd.	2238	GAC	5,000
Tracker Fund of Hong Kong	2800	TRF	5,000
CSOP FTSE China A50 ETF	2822	CSA	5,000
iShares FTSE A50 China Index ETF	2823	A50	5,000
China AMC CSI300 Index ETF	3188	AMC	5,000
China Evergrande Group	3333	EVG	5,000
Kingsoft Corporation Ltd.	3888	KSO	5,000
China Molybdenum Company Limited	3993	MOL	5,000
ZhongAn Online P & C Insurance Company Limited	6060	ZAO	5,000
Haitong Securities Co. Ltd.	6837	HAI	5,000
Nongfu Spring Company Limited	9633	NFU	5,000
Weibo Corporation	9898	WEB	5,000