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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 the Block Trade Facility in the Derivatives Market

Enquiry: HKATS Hotline[1] Tel: 2211-6360

Hong Kong Futures Exchange Limited ("HKFE" or the "Exchange") plans to enhance the Block Trade Facility ("BTF") in its derivatives market. The proposal comprises four enhancement items which aim to improve the Block Trade workflow. These enhancements will be implemented in Q3 2023 tentatively, subject to regulatory approval and market readiness.

Enhanced Block Trade Price Precision by Average Pricing

It is very common for a Block Trade to be agreed at a price between two ticks. Currently, Exchange Participants ("EPs") will split a single trade into two and execute them at different prices to achieve a targeted average price. Since there are Minimum Volume Threshold ("MVT") requirements for Block Trade, a Block Trade with quantity at MVT cannot be split for an average price.

The enhancement will allow the MVT requirements to be satisfied by the summation of the volumes of two legs to achieve an average price with more decimals than the tick size. The two legs must be entered as part of the same strategy according to existing procedures as stipulated in Section 2.2 of the HKATS User's Guide, i.e. contain the same reference free text. The following table shows an example:

[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/eng/global/privacy_policy.htm

Example	Current State	With Enhancement
Block Trade of HSI Futures Jun 23 contract with 100 lots @ 21,000.88 can be executed as follows: - Leg 1: 88 lots @ 21,001 - Leg 2: 12 lots @ 21,000 Total Volume = 100 lots Average Price = 21,000.88	Not allow both legs do not satisfy MVT	Allow

It is a refinement to the workflow that allows the execution of a Block Trade as two legs at different prices. This does not affect the MVT and the Block Trade order aggregation rules, which EPs must continue to observe.

This enhancement applies to all products eligible for block trading.

Lower MVTs for HSI and HSCEI Back Month Contracts (Fifth Contract Month and Onwards)[2]

The MVTs for back month contracts of HSI and HSCEI Futures and Options will be lowered from 100 lots to 50 lots to facilitate Block Trade execution for contract months with lower liquidity. The change focuses on relatively illiquid contracts and thus it will have little impact on liquid contracts.

The MVTs of HSI and HSCEI Futures and Options after the enhancements are set forth in Attachment I.

This enhancement applies to HSI and HSCEI Futures, Options and Futures Options. The MVTs of other products remain unchanged.

Block Trade Order Entry After the Close of T Session

Block Trade order entry will be allowed for all Stock and Stock Index Futures and Options for a time period after the close of T Sessions for Block Trades referencing volume-weighted average price ("VWAP") or underlying index or stock close.

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[2] For example, the available contracts months of HSI Futures are Jun 23, Jul 23, Aug 23, Sep 23, Dec 23, Mar 24, Jun 24, Dec 24, Jun 25, Dec 25, Dec 26, Dec 27 and Dec 28. Contract months from Dec 23 onwards are classified as back month contracts

After the close of T Session, applicable markets will immediately move to a new session state when order entry for such Block Trades is allowed (refer to Attachment II for technical details). The following table shows the Block Trade Order Entry Period of applicable markets:

Market	Close of T Session	Block Trade Order Entry Period	Start of T+1 Session
Stock Futures	16:00	16:00 - 16:25[3] (15 mins after closing auction in cash market)	N/A
Stock Index Futures & Options	16:30	16:30 - 16:45[4]	17:15
MSCI Index Suite (Early Close Contracts)	13:45	13:45 - 14:00	14:30 (No T+1 for Options)
MSCI Index Suite	16:30	16:30 - 16:45	17:15
MSCI Index Suite (Late Close Contracts)	18:30	18:30 - 18:45	19:15

Block Trades executed during the Block Trade Order Entry Period are subject to all Block Trade criteria as stipulated in relevant HKFE rules and procedures.

This enhancement applies to all Stock and Stock Index Futures and Options.

Reporting of Overnight Block Trades (applies to MSCI Index Futures only)

Basis Trades at Index Close (“BTIC”) Block Trades for MSCI Futures are often executed in the next T Session since the official closing value of the underlying MSCI index is available either at late night Hong Kong Time or after the close of the T+1 Session. This creates an execution risk as the agreed price may fall outside the Permissible Price Range (“PPR”) at the time of execution.

In order to facilitate the execution of overnight Block Trades, a new PPR that makes reference to the latest official closing value of the underlying MSCI index will be introduced for the first 30

[3] 12:00 – 12:25 on half trading days, i.e. the Eves of Christmas, New Year and Lunar New Year
[4] 12:30 – 12:45 on half trading days, i.e. the Eves of Christmas, New Year and Lunar New Year

minutes of the next available trading session for MSCI Futures. The same price parameter of +/-3% will apply.

<table>
<tr><th>MSCI Futures Contracts</th><th>Market Open</th><th>Period</th><th>Reference Price</th><th>Permissible Price Range</th></tr>
<tr><td>MSCI Taiwan Index Futures[5]</td><td>8:45</td><td>8:45 - 9:15</td><td rowspan="2">Latest official closing value of the underlying MSCI index</td><td rowspan="2">+/-3% of the latest official closing value of the underlying MSCI index</td></tr>
<tr><td>Other MSCI Futures</td><td>9:00</td><td>9:00 - 9:30</td></tr>
</table>

To indicate a Block Trade as BTIC, EPs are required to input a reference free text with “PPR2” (not case-sensitive) as a prefix in the Info Field, for example “ppr2abc”, where “ppr2” is the prefix to indicate BTIC and “abc” is the self-defined free text. These BTIC Block Trades will be validated based on the new PPR. The new PPR will expire after the first 30 minutes of the next available session.

Other normal Block Trades, i.e. not indicated as BTIC Block Trades, will not be affected. They must be negotiated during the trading hours of the Block Trade Contract concerned and be executed immediately on HKATS via the BTF subject to the existing PPRs.

This enhancement applies to all MSCI Futures.

[5] Including MSCI Taiwan (USD) Index Futures, MSCI Taiwan 25/50 (USD) Index Futures, MSCI Taiwan Net Total Return (USD) Index Futures and MSCI Taiwan 25/50 Net Total Return (USD) Index Futures

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Briefing Sessions

The Exchange will conduct two briefing sessions on the following dates:

Date	Time	Format	Language	Registration
24 July 2023 (Monday)	17:00 - 18:00	Webinar	Canonese	Click here to register
26 July 2023 (Wednesday)	17:00 - 18:00	Webinar	English	Click here to register

EPs intending to join should register via the online registration form on or before 17 July 2023.

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

MVT of HSI and HSCEI Futures and Options after the Enhancements

Product	**MVT**
Hang Seng Index (HSI) Futures - first 4 Contract Months - after the first 4 Contract Months	 100 contracts 50 contracts
Hang Seng China Enterprises Index (HSCEI) Futures - first 4 Contract Months - after the first 4 Contract Months	 100 contracts 50 contracts
Hang Seng Index (HSI) Options - first 4 Contract Months - after the first 4 Contract Months	 100 contracts 50 contracts
Hang Seng China Enterprises Index (HSCEI) Options - first 4 Contract Months - after the first 4 Contract Months	 100 contracts 50 contracts
Hang Seng Index Futures (HSIF) Options - first 4 Contract Months - after the first 4 Contract Months	 100 contracts 50 contracts
Hang Seng China Enterprises Index Futures (HSCEIF) Options - first 4 Contract Months - after the first 4 Contract Months	 100 contracts 50 contracts

Attachment II

Technical Details for the New Session State for Block Trade Order Entry

State Name	BLK_TRADE_ONLY
State Number	30
Allowed OAPI Transaction	• MO76 (T1 Internal Trade Report) • MO77 (T2 Combo Trade Report) • MO75 (T4 Interbank Trade Report) • MO74 (Delete Pending T4 Interbank Trade Report)

List of Applicable Markets with Block Trade Order Entry Period

Products	Market Code in HKATS
CES China 120 Index Futures	1
Stock Futures	2
Hang Seng Index Futures and Options	34
Weekly Hang Seng Index Options	39
Hang Seng Index Futures Options	32
Flexible Hang Seng Index Options	35
HSCEI Futures and Options	38
Weekly HSCEI Options	87
HSCEI Futures Options	40
Flexible HSCEI Options	37
Hang Seng TECH Index Futures and Options	86
Hang Seng TECH Index Futures Options	83
Hang Seng Total Return Index Futures	86
Dividend Futures	27
HSI Volatility Index Futures	51
Sector Index Futures	60
MSCI AXJ NTR Index Futures	108
MSCI China A 50 Connect Index Futures	153
MSCI Asia and Emerging Market Index Futures and Options Suite	161 163 164 166 168 170

Attachment III

MSCI Disclaimer

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