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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: Planned Initiatives for HKATS in 2021

Enquiry: HKATS Hotline¹ 2211-6360

Hong Kong Exchanges and Clearing Limited ("HKEX") plans to implement the following initiatives relating to HKATS and other Derivatives Market systems in 2021. To facilitate Exchange Participants ("EPs") planning and preparation, please find the tentative schedule below:

Tentative Schedule	Planned Initiatives	Description / Impact to EPs
Q1 2021	Enhancements for Volatility Control Mechanism (VCM) and Pre-Market Opening Session (POS)	<p><u>For VCM:</u> To allow multiple triggers of VCM for each trading session.</p> <p><u>For POS:</u> To introduce a random cutoff mechanism to POS to deter possible gaming strategy of manipulating the Calculated Opening Price (COP) near the end of the auction process.</p> <p><u>Impact to EPs:</u> The enhancements involve only configuration changes in HKATS. Notwithstanding, EPs should assess if there is any adaptation is required by their systems.</p> <p>More details about the enhancements will be announced in Dec 2020.</p>

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

Tentative Schedule	Planned Initiatives	Description / Impact to EPs
Q1 2021	Upgrade of Derivatives Trading Infrastructure and Relocation of Backup Data Centre	<p>To cope with the market needs and business developments, HKEX plans to upgrade HKATS infrastructure together with the relocation of backup data center in Q1 2021.</p> <p><u>Impact to EPs:</u> To ensure the business continuity after the upgrade, EPs are <u>strongly advised</u> to participate in the rehearsal scheduled in Q1 2021.</p> <p>Detailed arrangement will be provided in Dec 2020.</p>
Implementation of the Initiative will be subjected to further discussion with market participants on their readiness and regulatory approval.	Technical Readiness for Trading Selected Derivatives Products on Hong Kong Public Holiday	<p>To facilitate participants conducting trading and risk management during Hong Kong public holidays, HKEX plans to extend trading and clearing services for selected derivatives products during Hong Kong public holidays.</p> <p><u>Impact to EPs:</u> EPs who plans to trade selected derivatives contracts on Hong Kong public holidays are <u>required</u> to participate in a market rehearsal and / or practice sessions to verify and declare their operational and system readiness.</p> <p>Detailed arrangement will be announced in due course.</p>
Q1 & Q4 2021	Update of Google Chrome Browser Version for HKATS Online and HKATS Risk Functions	<p>To align with the latest development of Google Chrome browser for HKATS Online and HKATS Risk Functions, HKEX plans to update the Google Chrome browser version at least twice every year.</p> <p><u>Impact to EPs:</u> EPs are <u>required</u> to update the Google Chrome browser version for their HKATS Online and HKATS Risk Functions according to the requirement as prescribed by HKEX.</p> <p>Detailed arrangement will be announced in Dec 2020 & Q3 2021 respectively.</p>

Tentative Schedule	Planned Initiatives	Description / Impact to EPs
Q3 2021	Introduction of New Matching Engines	<p>To prepare and facilitate the introduction new product initiatives as well as diversifying the system concentration risks of flagship products, HKEX plans to install additional two matching engines in early Q3 2021.</p> <p><u>Impact to EPs:</u> To ensure the business continuity after the upgrade, EPs are <u>required</u> to participate in the market rehearsal tentatively scheduled in Q2 2021.</p> <p>Detailed arrangement will be provided in Q1 2021.</p>
Q3 2021	Market Rehearsal for Emergency Situation	<p>To facilitate EPs in verifying their systems and operational capability under emergency situation, HKEX will arrange a market rehearsal in Q3 2021.</p> <p><u>Impact to EPs:</u> EPs are <u>required</u> to participate in the market rehearsal to ensure that their end to end systems and operational capability run as designed under the emergency situation.</p> <p>Detailed arrangement will be provided in the Q2 2021.</p>
Q4 2021	Pre-Trade Risk Management 2.0	<p>To safeguard derivatives market integrity, HKEX plans to enhance the current Pre-Trade Risk Management (PTRM) tools to provide EPs with an additional dimension of control to calibrate exposure limits over a specified time frame.</p> <p><u>Impact to EPs:</u> EPs are <u>required</u> to participate in the market rehearsal and are required to work with HKEX on setting the new exposure limit.</p> <p>Details of the schedule and rundown of the market rehearsal will be provided tentatively in Q3 2021. EP briefing and training sessions will be arranged in due course.</p>

Tentative Schedule	Planned Initiatives	Description / Impact to EPs
On Going	Mandatory Periodic OAPI Program Re-Certification	<p>To ensure EP's OAPI programs are compliant with the latest HKATS software version, a mandatory re-certification test is required to the OAPI programs that have not conduct re-certification test for a pro-longed period.</p> <p><u>Impact to EPs:</u> EPs are <u>required</u> to re-certify their OAPI Programs in every three years.</p>

Exchange Participants are highly recommended to coordinate with their IT teams and vendors for necessary planning and preparation.

For any enquiries, please contact the HKATS Hotline at 2211 6360.

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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.