

香港聯合交易所有限公司  
(香港交易及結算所有限公司全資附屬公司)

**THE STOCK EXCHANGE OF HONG KONG 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)

The Stock Exchange of Hong Kong Limited (“SEHK”) 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 Options Trading Rules of SEHK.

This circular outlines two changes to exchange-level position limit regime. Relevant rule amendments on SEHK will be announced in a separate circular.

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

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

An authorisation mechanism will be introduced on Hong Kong Futures Exchange Limited (“HKFE”) and SEHK to facilitate Clearing Participants (“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 should (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 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 option class.

For changes to the position limit regime in the derivatives market operated by HKFE, please refer to the circular issued by HKFE dated 20 November 2023 (Circular reference: EQD/09/23)

## **2. Increase of Single Stock Options (“SSO”) position limit and introduction of additional tiers**

SEHK will increase the maximum position limit of SSO to 250,000 contracts, and to introduce two new tiers of 200,000 and 250,000 contracts. An overview of the SSO position limit tier methodology can be found in Attachment II.

The applicable position limit tier of each SSO is reviewed every November, based on the liquidity profile observed during the previous six months. The changes are announced in December and effective from April in the following year. In order to implement the enhancements to SSO position limits in the least disruptive manner, the same parameters (calculated in November 2022 and used to determine position limits from April 2023 to March 2024) will be used to determine what SSO classes will be reassigned to the new 200,000 and 250,000 contract tiers and become effective on the date of the relevant rules changes, (tentatively 22 December 2023,) through March 2024. The distribution of SSO across position limit tiers can be found in Attachment III.

<b>Current SSO position limits</b>	<b>SSO position limits, tentatively effective 22 December 2023</b>
150,000 contracts	250,000 contracts
100,000 contracts	200,000 contracts
50,000 contracts	150,000 contracts
	100,000 contracts
	50,000 contracts

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Managing Director  
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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]

The Stock Exchange of Hong Kong 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>Stock Option Class</b>	<b>Name of Stock Option</b>	<b>Requested Position Limit (Number of Contracts)</b>
XXX	XXXXX Co Ltd	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 SSO**

**Current Methodology**

*Single Stock Options*

1. The current position limit regime for exchange-traded SSO has been in place since 2017<sup>2</sup>. The statutory position limit for SSO is 150,000 open contracts per option class in any one market direction, for all expiry months combined<sup>3</sup>.
2. SEHK's rules set out the exchange-level position limits on SSO imposed on EPs and, independently, on their clients. Based on the existing model, 64 of the 126 SSO classes are subject to a position limit of 50,000 contracts, 21 are subject to a limit of 100,000 contracts, and 41 are subject to a limit of 150,000 contracts.

**New Methodology**

*The new five-tier SSO position limit model*

3. HKEX will add two tiers, namely 200,000 and 250,000 contracts, to evolve the existing SSO position limit model from a three-tier model to a five-tier model, in order to support market growth and provide more flexibility to the market.
4. The exchange-level 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 SSO.
  - If the contract-equivalent number is equal to or higher than 250,000 contracts, the position limit will be set at 250,000 contracts.
  - If the contract-equivalent number is equal to or higher than 200,000 but lower than 250,000 contracts, the position limit will be set at 200,000 contracts.
  - If the contract-equivalent number is equal to or higher than 150,000 but lower than 200,000 contracts, the position limit will be set at 150,000 contracts.
  - If the contract-equivalent number is equal to or higher than 100,000 but lower than 150,000 contracts, the position limit will be set at 100,000 contracts.
  - If the contract-equivalent number is lower than 100,000 contracts, the position limit will be set at 50,000 contracts.

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<sup>2</sup> In 2017, the SSO exchange-level position limit was revised from a two-tier system to a three-tier system with position limits 50,000, 100,000 or 150,000 contracts for all expiry months per market direction.

<sup>3</sup> For example, if the limit is 50,000 and an Options Exchange Participant longs a total of 35,000 calls and 15,000 puts and shorts a total of 10,000 puts and 32,000 calls in the same option class, the limit is not breached because the positions in one market direction are 45,000 contracts (long 35,000 calls and short 10,000 puts) and 47,000 contracts (short 32,000 calls and long 15,000 puts) in another market direction.

The tiers are illustrated in the following table.

Tier	Contract-equivalent number (X)	New position limit*
1	250,000 contracts $\leq$ X	250,000 contracts
2	200,000 $\leq$ X < 250,000 contracts	200,000 contracts
3	150,000 $\leq$ X < 200,000 contracts	150,000 contracts
4	100,000 $\leq$ X < 150,000 contracts	100,000 contracts
5	X < 100,000 contracts	50,000 contracts

\* Calculation based on the number of open contracts per SSO class in any one market direction for all expiry months combined

The contract-equivalent number (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.

- In line with the existing SSO position limit model, the calculation of the contract-equivalent number will be subject to an additional liquidity threshold at 6.7% of the past six months’ turnover of the underlying stock. The liquidity threshold will continue to be in place and could be revised from time to time, as deemed appropriate by SEHK.
- There are five tiers of SSO position limits in the new model. The following tables illustrate the number of SSO classes in each tier before and after the change.

#### Existing Model

Tier	Position limit (number of contracts)	Number of option classes in the tier
1	150,000	41
2	100,000	21
3	50,000	64

#### New Model

Tier	Position limit (number of contracts)	Number of option classes in the tier
1	250,000	30
2	200,000	4
3	150,000	7
4	100,000	21
5	50,000	64

Based on the 2022 annual review, with data from May 2022 to October 2022; and new stock option classes added in 2023

Calculation based on the number of open contracts per SSO class in any one market direction for all expiry months combined

7. Examples of the calculation of the SSO position limits under the new model are shown in Table 1 below:

Table 1: Examples of exchange-level position limits for SSO under the new model							
Calculation methodology  Underlying stock (stock code)	(a) Projected contract-equivalent number ('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>6</sup> ('000 contracts)
		Ceiling	Floor				
Power Assets Holdings Ltd. (6)	213	243	184	213	49	49	50
BYD Company Limited (1211)	109	682	517	517	138	138	100
BOC Hong Kong (Holdings) Limited (2388)	1,057	774	586	774	157	157	150
China CITIC Bank Corporation Limited (998)	774	1,043	790	790	211	211	200
Meituan (3690)	551	2,326	1,762	1,762	472	472	250

Source: HKEX, as of 31 October 2022

1 (a) equals 5% of the outstanding shares of the underlying stock divided by the SSO contract size. The contract sizes for the stocks are as follows, Power Assets Holdings Ltd: 500 shares; BYD Company Limited : 500 shares; BOC Hong Kong (Holdings) Limited: 500 shares; China CITIC Bank Corporation Limited: 1,000 shares; and Meituan: 500 shares.

2 Ceiling equals 33% of 6-month turnover of underlying stock (divided by SSO contract size); floor equals 25% of 6-month turnover of underlying stock (divided by SSO 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 4

4 6.7% of 6-month turnover of underlying stock divided by SSO contract size

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

6 Allocation into tier, based on the model detailed in paragraph 4

**Attachment III**

**Distribution of Single Stock Options in Tiers**

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

Name	SEHK Code	HKATS Code	Position Limit
HSBC Holdings Plc.	5	HKB	250,000
Alibaba Health Information Technology Ltd.	241	ALH	250,000
China Petroleum & Chemical Corporation	386	CPC	250,000
Hong Kong Exchanges and Clearing Limited	388	HEX	250,000
Tencent Holdings Limited	700	TCH	250,000
China Telecom Corporation Limited	728	CTC	250,000
PetroChina Company Limited	857	PEC	250,000
CNOOC Limited	883	CNC	250,000
China Construction Bank Corporation	939	XCC	250,000
China Mobile Limited	941	CHT	250,000
Kuaishou Technology	1024	KST	250,000
China Shenhua Energy Company Limited	1088	CSE	250,000
Industrial and Commercial Bank of China Limited	1398	XIC	250,000
XiaoMi Corporation	1810	MIU	250,000
Sands China Ltd.	1928	SAN	250,000
Li Auto Inc.	2015	LAU	250,000
ANTA Sports Products Ltd.	2020	ANA	250,000
WuXi Biologics (Cayman) Inc.	2269	WXB	250,000
Ping An Insurance (Group) Company of China, Ltd.	2318	PAI	250,000
Li Ning Company Limited	2331	LNI	250,000
Great Wall Motor Co. Limited	2333	GWM	250,000
Tracker Fund of Hong Kong	2800	TRF	250,000
Hang Seng China Enterprises Index ETF	2828	HCF	250,000
Meituan	3690	MET	250,000
China Merchants Bank Co., Ltd.	3968	CMB	250,000
Bank of China Limited	3988	XBC	250,000
Bilibili Inc.	9626	BLI	250,000
XPeng Inc.	9868	PEN	250,000
Baidu, Inc.	9888	BIU	250,000
Alibaba Group Holding Ltd.	9988	ALB	250,000
Huaneng Power International, Inc.	902	HNP	200,000
China CITIC Bank Corporation Limited	998	CTB	200,000
Ganfeng Lithium Group Company Limited	1772	GLI	200,000
Country Garden Holdings Co. Ltd.	2007	COG	200,000
China Railway Group Limited	390	CRG	150,000

Name	SEHK Code	HKATS Code	Position Limit
Lenovo Group Limited	992	LEN	150,000
AIA Group Limited	1299	AIA	150,000
BOC Hong Kong (Holdings) Limited	2388	BOC	150,000
Aluminum Corporation of China Limited	2600	ALC	150,000
China Life Insurance Company Limited	2628	CLI	150,000
JD.com, Inc.	9618	JDC	150,000
The Hong Kong and China Gas Company Limited	3	HKG	100,000
Hang Seng Bank Limited	11	HSB	100,000
Geely Automobile Holdings Ltd.	175	GAH	100,000
CITIC Limited	267	CIT	100,000
BYD Electronic International Company Limited	285	BYE	100,000
Techtronic Industries Co. Ltd.	669	TIC	100,000
China Overseas Land & Investment Limited	688	COL	100,000
Anhui Conch Cement Company Limited	914	ACC	100,000
Xinyi Solar Holdings Limited	968	SHL	100,000
CSPC Pharmaceutical Group Ltd.	1093	CSP	100,000
China Railway Construction Corporation Limited	1186	CRC	100,000
BYD Company Limited	1211	BYD	100,000
China Coal Energy Company Limited	1898	CCE	100,000
COSCO Shipping Holdings Company Limited	1919	COS	100,000
PICC Property and Casualty Company Limited	2328	PIC	100,000
Zijin Mining Group Company Limited	2899	ZJM	100,000
China National Building Material Company Limited	3323	NBM	100,000
Bank of Communications Co., Ltd.	3328	BCM	100,000
JD Health International Inc.	6618	JDH	100,000
Haidilao International Holding Ltd.	6862	HDO	100,000
NetEase, Inc.	9999	NTE	100,000
CK Hutchison Holdings Ltd.	1	CKH	50,000
CLP Holdings Limited	2	CLP	50,000
The Wharf (Holdings) Limited	4	WHL	50,000
Power Assets Holdings Limited	6	HEH	50,000
Henderson Land Development Company Limited	12	HLD	50,000
Sun Hung Kai Properties Limited	16	SHK	50,000
New World Development Company Limited	17	NWD	50,000
Swire Pacific Limited 'A'	19	SWA	50,000
SenseTime Group Inc.	20	SET	50,000
The Bank of East Asia, Limited	23	BEA	50,000
Galaxy Entertainment Group Limited	27	GLX	50,000
MTR Corporation Limited	66	MTR	50,000

Name	SEHK Code	HKATS Code	Position Limit
Kunlun Energy Co. Ltd.	135	KLE	50,000
Want Want China Holdings Ltd.	151	WWC	50,000
Kingdee International Software Group Co., Ltd.	268	KDS	50,000
WH Group Ltd.	288	WHG	50,000
Cathay Pacific Airways Limited	293	CPA	50,000
Jiangxi Copper Company Limited	358	JXC	50,000
Dongfeng Motor Group Co. Ltd.	489	DFM	50,000
Air China Ltd.	753	AIR	50,000
China Unicom (Hong Kong) Limited	762	CHU	50,000
China Tower Corporation Limited	788	XTW	50,000
Link Real Estate Investment Trust	823	LNK	50,000
Xinyi Glass Holdings Limited	868	GHL	50,000
Zhongsheng Group Holdings Limited	881	ZSH	50,000
Semiconductor Manufacturing International Corp.	981	SMC	50,000
Hengan International Group Co. Ltd.	1044	HGN	50,000
Sinopharm Group Co. Ltd.	1099	SNP	50,000
China Resources Land Ltd.	1109	CRL	50,000
CK Asset Holdings Limited	1113	CKP	50,000
Yankuang Energy Group Company Limited	1171	YZC	50,000
Sino Biopharmaceutical Ltd.	1177	SBO	50,000
Agricultural Bank of China Limited	1288	XAB	50,000
New China Life Insurance Co. Ltd.	1336	NCL	50,000
The People's Insurance Company (Group) of China Limited	1339	PIN	50,000
China Cinda Asset Management Co., Ltd	1359	CDA	50,000
Postal Savings Bank of China Co. Ltd.	1658	XPB	50,000
China Communications Construction Company Limited	1800	CCC	50,000
Innovent Biologics, Inc.	1801	INB	50,000
CGN Power Co., Ltd	1816	CGN	50,000
Ping An Healthcare and Technology Co., Ltd.	1833	PHT	50,000
Budweiser Brewing Company APAC Limited	1876	BUD	50,000
Sunac China Holdings Ltd.	1918	SUN	50,000
China Minsheng Banking Corporation Limited	1988	MSB	50,000
AAC Technologies Holdings Inc.	2018	AAC	50,000
China Vanke Co. Ltd.	2202	VNK	50,000
Guangzhou Automobile Group Co. Ltd.	2238	GAC	50,000
MGM China Holdings Limited	2282	MGM	50,000
Shenzhen International Group Holdings Ltd.	2313	SHZ	50,000
China Mengniu Dairy Co. Ltd.	2319	MEN	50,000
Sunny Optical Technology (Group) Co. Ltd.	2382	SNO	50,000

Name	SEHK Code	HKATS Code	Position Limit
China Pacific Insurance (Group) Co., Ltd.	2601	CPI	50,000
CSOP FTSE China A50 ETF	2822	CSA	50,000
iShares FTSE A50 China Index ETF	2823	A50	50,000
ChinaAMC CSI 300 Index ETF	3188	AMC	50,000
China Evergrande Group	3333	EVG	50,000
Kingsoft Corporation Ltd.	3888	KSO	50,000
China Molybdenum Company Limited	3993	MOL	50,000
CITIC Securities Co. Ltd.	6030	CTS	50,000
ZhongAn Online P & C Insurance Company Limited	6060	ZAO	50,000
Haitong Securities Co., Ltd.	6837	HAI	50,000
Nongfu Spring Company Ltd.	9633	NFU	50,000
Weibo Corporation	9898	WEB	50,000
Trip.com Group Ltd.	9961	TRP	50,000