

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: Amendments to the Options Trading Rules (the “Rules”) and the Operational Trading Procedures for Options Trading Exchange Participants (the “Procedures”) of The Stock Exchange of Hong Kong Limited (“SEHK”)

Enquiry: HKATS (Hotline¹ : 2211-6360 Email: hkatssupport@hkex.com.hk)

Holders of Stock Exchange Trading Rights and Exchange Participants of SEHK are requested to note that the Securities and Futures Commission has approved amendments to the Rules and Procedures for the purpose of enhancing the self-match prevention service in the stock options market of Hong Kong.

The amendments to the Rules and Procedures as set out in Appendices 1 and 2 respectively, will come into effect on Monday, 22 July 2024.

The marked-up version of the amendments to the Rules and Procedures can be downloaded from the following sections of the HKEX website:

- [“Rule Update - Options Trading Rules of the Stock Exchange”](#)
- [“Rule Update - Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange”](#)

Beatrice Lung
Head of Legal

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

Options Trading Rules

CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

101. In these Options Trading Rules, unless the context otherwise requires:-

“Self-match Prevention” or “SMP” means the prevention of the matching in the Options Trading System during the trading hours of orders that are tagged with the same SMP ID whereby the relevant order(s) will be automatically cancelled in accordance with the specified SMP Instruction;

“SMP ID” means a code, number or identifier to be used for tagging orders entered into the Options Trading System for the account of the same Options Trading Exchange Participant, client or other person in such manner as the Exchange may from time to time prescribe for the purpose of SMP;

“SMP Instruction” means either of the following instructions specified by the relevant Options Trading Exchange Participant for an SMP ID in relation to new and existing orders in separate order queues that are tagged with such SMP ID that might otherwise have been matched:-

(a) “Cancel Aggressive”, that is, the newly entered order or, if such newly entered order is partially matched before any existing order with the same SMP ID is at the top of the order queue, the remaining unmatched part of such newly entered order will be cancelled by the Options Trading System; or

(b) “Cancel Passive”, that is, the existing order or, if such existing order is partially matched before the newly entered order with the same SMP ID is at the top of the order queue, the remaining unmatched part of such existing order will be cancelled by the Options Trading System;

CHAPTER 5

THE OPTIONS TRADING SYSTEM

Self-match Prevention

- 522C. An Options Trading Exchange Participant may apply for Self-match Prevention service for itself, its clients or other persons by submitting to the Exchange such form and such supporting documents as it may prescribe from time to time. An SMP ID will be assigned by the Exchange for the Options Trading Exchange Participant or each client or other person approved by the Exchange under the Options Trading Exchange Participant's application. Any SMP ID so assigned may only be tagged to orders of the Options Trading Exchange Participant, a client or such other person approved by the Exchange, as the case may be, in accordance with such requirements as the Exchange may from time to time prescribe.
- 522D. An Options Trading Exchange Participant acknowledges that orders tagged with an SMP ID entered into HKATS may be cancelled as part of the SMP. The Exchange shall in no case be liable for any failure or unavailability of, or error or defect in the functioning of the SMP.
- 522E. An SMP ID may be used by more than one Options Trading Exchange Participant. An Options Trading Exchange Participant must obtain approval from the Exchange for the use of the SMP and each SMP ID. To be approved to use the SMP and an SMP ID, an applicant Options Trading Exchange Participant shall apply in writing to the Exchange and demonstrate initially and on a continuous basis to the satisfaction of the Exchange that it has implemented appropriate and effective measures and taken reasonable steps to ensure that the use of the SMP and each SMP ID is in compliance with the requirements as the Exchange may from time to time prescribe. The Options Trading Exchange Participant shall be responsible and liable for the use of each SMP ID and shall notify the Exchange promptly where it becomes aware of any breach, infringement or non-compliance of these Options Trading Rules or requirements as may be prescribed by the Exchange from time to time, or acts of or potential market misconduct whether by itself, its clients or other persons.
- 522F. If the Chief Executive is of the opinion that any of the requirements related to the SMP are not properly followed by an Options Trading Exchange Participant or any of its clients or other persons approved under its SMP application, including any improper acts or practices in connection with their use of the SMP, the Chief Executive may by notice to the Options Trading Exchange Participant, suspend or prohibit the Options Trading Exchange Participant or any of its clients or other persons from using the SMP by suspending or invalidating the relevant SMP ID or otherwise, or impose such additional requirement for the use as he may consider appropriate.
- 522G. Notwithstanding any other provisions contained in these Options Trading Rules, if more than one Options Trading Exchange Participant applies to the Exchange for SMP service for the same person, each Options Trading Exchange Participant's identity and its approval to use the SMP ID for such person may be disclosed to the other Options Trading Exchange Participant(s) as the Exchange considers appropriate.

Operational Trading Procedures

Chapter 3 : Trading Functionalities

The trading functionalities offered by HKATS and the procedural steps for executing those functionalities are set out in the *HKATS User's Guide* and the *HKATS Risk Functions User's Guide*.

3.7 Limit Orders

Limit orders are orders which are to be matched at a specific limit price or better.

The following "validity times" can be applied to limit orders:

- **Rest-of-Day:** This is the default. If the entire order has not been matched or cancelled by the end of the trading day, that portion of the order which remains open will be automatically cancelled.
- **Until Expiry:** An order of this kind is valid up to execution, series expiry, or until the Options Trading Exchange Participant cancels it.
- **Specified Time:** An order of this kind is valid until market close of the date specified in the order, until execution, series expiry, or until cancelled by the Options Trading Exchange Participant, whichever is earliest.
- **Fill and Kill:** Orders of this kind attempt to match as much of the order as possible up to the specified quantity. The part of the order which has not been filled is cancelled immediately.
- **Fill-or-Kill:** Orders of this kind are either filled immediately for the full quantity or, if this is not possible, cancelled entirely.

A limit order capable of being stored in the Central Orderbook (a limit order which does not have either a "Fill-or-Kill" or "Fill and Kill" condition attached) will remain in the Central Orderbook until one of the following events occurs:

1. The order is matched either fully or partially with an incoming order. Where the order is fully matched, it will be removed from the Central Orderbook, and where it is only partially matched, the outstanding part will be stored in the Central Orderbook until it is matched, cancelled or for the applicable period, as the case may be.
2. The Authorised User who input the limit order or another Authorised User of the same Options Trading Exchange Participant cancels the order or amends the order to the effect that the ranking priority will be affected.

3. The order is cancelled by the Exchange upon the request of the Options Trading Exchange Participant.
4. The order, and possibly all other orders, placed by the Options Trading Exchange Participant are cancelled by the Exchange in the event that misconduct is suspected.
5. HKATS automatically purges the order when its specified validity time expires, when its specified SMP ID is no longer valid for the relevant Options Trading Exchange Participant or in accordance with the SMP Instruction for its specified SMP ID.
6. HKATS automatically inactivates the order when all orders belonging to an Authorised User are inactivated due to a lost connection between the local trading workstation and the host computer.
7. HKATS automatically cancels the order if trading in the relevant option class is suspended.
8. The order and all other orders specifying a validity time of "Rest of Day" are cancelled by the Exchange where market conditions warrant such action.