

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: Introduction of Weekly Stock Option Contracts in 2024

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The Stock Exchange of Hong Kong Limited (“the Exchange” or “SEHK”) plans to introduce weekly expiries for selected single stock option classes by the end of 2024, subject to market readiness and regulatory approval. The launch date for weekly expiries will be confirmed to the market in due course. The introduction of the weekly stock options is intended to serve the short-term trading and risk management needs of participants.

To facilitate stakeholders in their planning and preparation, we set forth the contract design, trading and clearing arrangements, position limits, and large open position reporting requirements of the proposed weekly stock options.

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: https://www.hkex.com.hk/global/exchange/privacy-notice?sc_lang=en

Contract Design

Weekly expiries will not be added to all SEHK stock option classes. The list of stock option classes with weekly expiries will be determined by the Exchange. For the initial launch, subject to regulatory approval, weekly expiries will be introduced for the following stock option classes:

| SEHK Code | HKATS Code | Underlying Stock Name |
|------------------|-------------------|--------------------------------------------------|
| 5 | HKB | HSBC Holdings Plc. |
| 388 | HEX | Hong Kong Exchanges and Clearing Limited |
| 700 | TCH | Tencent Holdings Limited |
| 1024 | KST | Kuaishou Technology |
| 1211 | BYD | BYD Company Limited |
| 2318 | PAI | Ping An Insurance (Group) Company of China, Ltd. |
| 3690 | MET | Meituan |
| 9618 | JDC | JD.com, Inc. |
| 9888 | BIU | Baidu, Inc. |
| 9988 | ALB | Alibaba Group Holding Ltd. |

The key terms of the contract specifications can be found in the Attachment.

Weekly stock options will be additional expiries for existing single stock option contracts. Therefore, key parameters, including the trading fee, contract size and HKATS underlying code for weekly stock options will be the same as existing monthly stock options across the stock option classes.

Trading and Clearing Arrangements

Generally, each weekly stock options contract will be available for trading starting from Monday and expire on the Friday of the following week.

The contract expiry weeks will be:

- the spot week; and
- the next week,

provided that no weekly contracts will be listed if such weekly contracts would expire on the same day as the expiry day for the spot month contracts.

For example, the next week contracts expiring on Friday 19 January 2024 would be introduced on Monday 8 January 2024, the first business day following the expiry day of the previous week's spot week contracts on Friday 5 January 2024.

There is no pre-launch arrangement for weekly stock options. Weekly stock options will be listed on HKATS on the first trading day of the contract (except for the initial product launch). This arrangement differs from weekly index options. The Daily Risk Parameter Files (“RPF”) and the Instrument Series Information for Non-Monthly Contracts File (“Weekly Series File”) on the [HKEX website](#) will list the weekly series information from first day of trading (i.e. for weekly stock options, normally every first business day of the week) through their expiry day.

The weekly contract information in RPF files, in combination with those in the Weekly Series File, facilitates the participants’ trading, clearing and margin requirement estimation of the weekly stock options from their first day of trading.

All error trade parameters and block trade requirements will be identical for weekly stock options and monthly stock options. The procedures for capital adjustments will be the same for weekly stock options and monthly stock options.

The clearing arrangements for weekly stock options will match the arrangements for existing monthly stock options, except that the weekly stock options will expire on a weekly basis, i.e. to have automatic exercise at each weekly expiry.

Contract Codes

The contract codes on HKATS will be configured as set forth below:

a. Differentiation between weekly stock options and monthly stock options:

The new market code “18” shall be assigned to weekly stock options. Trading applications could make use of the field in the OAPI library, namely “market_c”, for the identification of weekly stock options, if necessary.

b. Naming convention of weekly stock options series is shown in the table below:

| Element | Weekly Stock Options |
|-----------------------|-----------------------------------------|
| Contract Code Example | HEX380.00H4W23 |
| HEX | HKATS underlying code (HKEX in example) |

| Element | Weekly Stock Options |
|---------|---------------------------------------------------------------------|
| 380.00 | The contract's strike price (HK\$ 380.00 in example) |
| H | The option contract month code (call option in August in example) |
| 4 | The contract year (4 indicates 2024 in example) |
| W | Indicates a weekly contract |
| 23 | The date of expiry (23 rd day of August 2024 in example) |

Position Limits and Large Open Position (“LOP”) Reporting Requirements

The Exchange will propose to amend the position limits and large open position reporting requirements to include both weekly and monthly contracts when weekly stock options are introduced.

Before the sub-legislation of the Securities and Futures Ordinance (“SFO Rules”) is to be amended in the future to include the position limit for the weekly stock options, Exchange Participants, The SEHK Options Clearing House Limited (“SEOCH”) Participants and their clients are required to observe both the existing statutory position limits under the SFO Rules and the exchange-level position limits stipulated in the Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange. The proposed position limits and LOP reporting requirements are summarised below. All proposed changes to exchange-level position limits and LOP reporting requirements are subject to regulatory approval.

| | Statutory | Exchange-Level ² |
|----------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Position Limits | 250,000 open contracts per option class in any one market direction for all expiry months combined | The position limits are classified into 5 levels, 50,000, 100,000, 150,000, 200,000 or 250,000 open contracts, per option class in any one market direction for all expiries, combined |
| LOP Reporting Requirements | 1,000 open contracts per option class per expiry month | 1,000 open contracts per option class, per expiry |

² Proposed rules amendments, subject to regulatory approval

Participant Readiness

Participants are requested to notify their staff and all interested clients the details of the weekly stock options. Please ensure that their trading, clearing, and back office systems, including OAPI program and other operational arrangements are ready in order for a smooth operation upon the introduction.

To ensure smooth implementation, those who plan to participate in the trading and clearing of weekly stock options should verify their systems by participating in the practice session. The technical details and schedule of the practice session will be announced in due course.

David Lutz
Senior Vice President
Equities Product Development

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

Key Contract Specifications

| Weekly Stock Options | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--|-----------------|-------------|-----------|------|---|------|---|---|------|---|----|------|----|----|------|----|----|------|----|-----|------|-----|-----|------|-----|-----|-------|
| Underlying Stocks | Selected underlying stocks from the current list of stock options (Please refer to section “Contract Design” for the list of underlying stocks applicable for weekly stock options) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HKATS Code | Same HKATS Code as the respective monthly single stock options. Please refer to the list of stock options | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Option Types | Puts and Calls | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contract Size | Same contract size and tier level as monthly single stock options. Please refer to the list of stock options | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contracted Value | Option Premium multiplied by the Contract Size | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contract Weeks | The contract expiry weeks will be: <ul style="list-style-type: none"> - the spot week; and - the next week; <p>where no expiry week contracts will be listed if the next week contracts would expire on the same day as the expiry day for spot month contracts.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strike Prices | <table border="1"> <thead> <tr> <th colspan="2">Strike Prices</th> <th rowspan="2">Interval (HK\$)</th> </tr> <tr> <th>From (HK\$)</th> <th>To (HK\$)</th> </tr> </thead> <tbody> <tr> <td>0.01</td> <td>2</td> <td>0.05</td> </tr> <tr> <td>2</td> <td>5</td> <td>0.10</td> </tr> <tr> <td>5</td> <td>10</td> <td>0.25</td> </tr> <tr> <td>10</td> <td>20</td> <td>0.50</td> </tr> <tr> <td>20</td> <td>50</td> <td>1.00</td> </tr> <tr> <td>50</td> <td>200</td> <td>2.50</td> </tr> <tr> <td>200</td> <td>300</td> <td>5.00</td> </tr> <tr> <td>300</td> <td>500</td> <td>10.00</td> </tr> </tbody> </table> | Strike Prices | | Interval (HK\$) | From (HK\$) | To (HK\$) | 0.01 | 2 | 0.05 | 2 | 5 | 0.10 | 5 | 10 | 0.25 | 10 | 20 | 0.50 | 20 | 50 | 1.00 | 50 | 200 | 2.50 | 200 | 300 | 5.00 | 300 | 500 | 10.00 |
| Strike Prices | | Interval (HK\$) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| From (HK\$) | To (HK\$) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0.01 | 2 | 0.05 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 5 | 0.10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | 10 | 0.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10 | 20 | 0.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 | 50 | 1.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50 | 200 | 2.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 200 | 300 | 5.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 300 | 500 | 10.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | Weekly Stock Options |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trading Hours (Hong Kong Time) | <p>Normal Trading Day:</p> <p>9:30 a.m. - 12:00 noon (Morning trading session) 1:00 p.m. - 4:00 p.m. (Afternoon trading session) 4:00 p.m. - 4:25 p.m. (Block Trade Order Entry Period) Expiring contracts close at 4:00 pm on the Expiry Day</p> <p>Half-Day Trading: (There is no afternoon trading session on the eves of Christmas, New Year and Lunar New Year.)</p> <p>9:30 a.m. - 12:00 noon (Morning trading session) 12:00 noon - 12:25 p.m. (Block Trade Order Entry Period) Expiring contracts close at 12:00 noon on the Expiry Day</p> |
| Expiry Day | The last business day of the contract week |
| Exercise Style (American) | Options can be exercised at any time up to the DCASS System Input Cutoff Time on any business day including the expiry day |
| Exercise Fee | HK\$ 2.00 |
| Settlement | Physical delivery of underlying shares upon exercise and assignment, and settlement period are: T + 1 business day (options premium, payable in full) or T + 2 business day (stock transfer following exercise) |
| Trading Tariff | Tier 1 HK\$3.00 Tier 2 HK\$1.00 Tier 3 HK\$0.50 Brokerage Commission Negotiable |