

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 Options on 4 November 2024

Enquiry: For technical enquiries:

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Reference is made to the circular (ref: [EQD/03/24](#)), dated 8 May 2024, regarding the introduction of weekly expiries for selected single stock option classes (“Weekly Stock Options”). The Stock Exchange of Hong Kong Limited (“the Exchange” or “SEHK”) is pleased to announce that regulatory approval has been obtained for the introduction of Weekly Stock Options. Subject to market readiness, trading of weekly expiries will commence on **Monday, 4 November 2024**. Relevant rule amendments related to Weekly Stock Options will be issued via circular separately.

Weekly Stock Options are plain vanilla options contracts that expire every week. The introduction of the Weekly Stock Options is intended to serve the trading and risk management needs of participants in response to short-term or specific events, such as the announcement of economic figures or company earnings announcements.

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

Product Overview

The Exchange will introduce weekly expiries for the following single stock options. Details of the contract design and specifications are set forth in Attachment I.

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 Limited

Market Making Arrangements

The Exchange is inviting interested parties to apply for market maker permits for Weekly Stock Options. Interested parties should submit a Form OP004 to apply for market maker permits.

There will be separate market maker permits and appointments for weekly and monthly stock options in the same stock options classes. Please refer to Attachment II for the market making arrangements.

Market makers should input the appropriate clearing account when they place the orders. For market makers who hold market maker permits for monthly stock options but do not hold permits for weekly stock options, weekly stock options cannot be cleared in their market maker accounts but must be cleared to their house accounts, where positions are not eligible for excess position limits as specified under section 4A of the Securities and Futures (Contracts Limits and Reportable Positions) Rules. These weekly stock option trades will not receive market maker discounts, will not be eligible for the waiver from large open position reporting requirements and their hedging trades in the cash market will not be subject to stamp duty exemption.

Exchange Participants' ("EPs") and Clearing Participants' ("CPs") Readiness

EPs and CPs are requested to notify their staff and all interested clients of the relevant details. Please ensure that their trading and back office systems are ready for the introduction of the Weekly Stock Options, including but not limited to the OAPI programs, clearing, settlement and risk management systems², market data systems and other front-end or back-end operational systems.

Participants are required to confirm their system readiness by completing the test cases successfully in **either the testing environment or the practice session** in order to access the Weekly Stock Option market.

#	Date	Event	Details
1	From 20 May 2024 onwards	Testing in HKATS testing environment	Please contact HKATS Support by email (hkatssupport@hkex.com.hk) to receive the information package with the relevant test cases and arrange the date for performing the test
2	19 October 2024 (Saturday)	Practice session	Please complete the online registration form here to enroll in the practice session

More details on the technical information for Weekly Stock Options are set forth for reference in the [Weekly Stock Options webpage](#).

Marketing and education

The Exchange will provide educational materials to support EPs in enhancing investors' knowledge of Weekly Stock Options. Interested parties should contact Mr. Aaden Cheung (aadencheung@hkex.com.hk) or Ms. Zoe Yan (zoeyan@hkex.com.hk) for further information.

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.

² Risk parameter sample file can be found in the "[Weekly Stock Options - Sample files for reference](#)" respectively.

Attachment I

Key Contract Design and Contract Specifications

Weekly expiries will be introduced for the following 10 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 Limited

Contract Specifications	Weekly Stock Options										
Underlying Stocks	Selected Underlying Stocks from the current list of 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	<p>The contract expiry weeks will be:</p> <ul style="list-style-type: none"> - the spot week; and - the next week; <p>where no expiry week contracts will be listed if the weekly 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> </tbody> </table>		Strike Prices		Interval (HK\$)	From (HK\$)	To (HK\$)	0.01	2	0.05	
Strike Prices		Interval (HK\$)									
From (HK\$)	To (HK\$)										
0.01	2	0.05									

Contract Specifications	Weekly Stock Options		
	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
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	<p>Physical delivery of underlying shares upon exercise and assignment, and settlement period are:</p> <p>T + 1 business day (options premium, payable in full) or T + 2 business day (stock transfer following exercise)</p>		
Trading Tariff	<p>Tier 1 HK\$3.00 Tier 2 HK\$1.00 Tier 3 HK\$0.50</p> <p>Brokerage Commission Negotiable</p>		

Attachment II

Market Making Arrangements for Weekly Stock Options

Interested Parties are required to apply for a separate Market Maker permit for Weekly Stock Options for each relevant stock option class.

1. Eligibility

Eligible applicants will be restricted to regular market makers (Market makers providing continuous quotes (“CQMM”) or market makers responding to quote request (“QRMM”)) for the monthly stock options of the relevant stock option class(es).

2. Market Making Obligations

The market making obligations for Weekly Stock Options are as follows:

Market Making Obligations	Provision of Continuous Quotes (“CQ”)	Response to Quote Requests (“QR”)
Assigned Number of Series	Not less than 30 series ³ in total for spot week and next week contracts (or not less than 15 series if only one contract is available ⁴)	QR issued in options series in an option class
Trading Requirement	Provision of CQ for the assigned option series in an option class for 50% or more of the trading hours in a month	Response to 50% or more QR in an option class in a month
Maximum Time Limit for Responding to QR	N/A	Response within 20 seconds on receipt of QR
Minimum Display Time for QR	N/A	At least 20 seconds, unless a change in the underlying stock price occurs during the 20 seconds display period

³ Market maker that provides CQ can select options series from the following CQ series selection pool

⁴ No expiry week contracts will be listed if the weekly contracts would expire on the same day as the expiry day for spot month contracts

The requirements for market making Weekly Stock Options will follow the rules set forth in the Second Schedule of the Options Trading Rules of the Exchange. The amendments to the Second Schedule will be announced via a separate circular.

Maximum Bid/Offer Spread and Minimum Quote Size:

Option Series	Option Class		
	Liquidity Level 1	Liquidity Level 2	Liquidity Level 3
Spot week with 3 Business Days or less to expiry	20% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	30% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot week with 4 Business Days or more to expiry and the next week	10% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	10% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Minimum Quote Size	30 contracts	15 contracts	15 contracts

CQ series selection pool:

Contract Week	Option Series	Call	Put
Spot Week	Nearest OTM	7	7
	Nearest ITM	2	2
Next Week	Nearest OTM	7	7
	Nearest ITM	2	2
Total		36	

3. Performance Monitoring

The performance measurement for market making in the Weekly Stock Options will be separate from that of the monthly stock options. The performance will be evaluated on a monthly basis.

4. Market Making Incentives

Upon fulfilment of market maker obligations, a market maker shall be entitled to:

i. Discounted Exchange Fee for a market maker in Weekly Stock Options:

A market maker of Weekly Stock Options will be entitled to pay a discounted Exchange Fee if they attain a passing score of 70% or higher:

Options Tier	Regular Market Maker (CQMM/QRMM) in Weekly Stock Options	Standard
1	HK\$1.50 (i.e. 50% discount)	HK\$3.00
2	HK\$0.80 (i.e. 20% discount)	HK\$1.00
3	HK\$0.40 (i.e. 20% discount)	HK\$0.50

ii. (For CQMM only) Additional throughput with Mass Quote (“MQ”)

To facilitate a market maker to provide continuous quotes more efficiently:

Transaction per second (TPS) with MQ: 1 TPS for every 4 CQ series

TPS per OAPI connection with MQ: Optional to select 5, 10, 20 or 50 TPS

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