

**Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited**

**CHAPTER VIII**  
**TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS**

815A. An Exchange Participant must ensure that the following criteria are satisfied when conducting a Block Trade:

(2) Minimum Volume Threshold

- (a) Subject to Rule 815A(2A), an Exchange Participant shall not execute any order as a Block Trade unless that order meets the applicable Minimum Volume Threshold set forth below and the Exchange Participant has received instructions or has been specifically authorized to execute the order as a Block Trade:

<b>Exchange Contract</b>	<b>Minimum Volume Threshold (no. of contracts)</b>
Stock Index Futures <sup>Note 3</sup>	100
MSCI China Free (USD) Index Futures	50
MSCI China Free (USD) Index Options	50
MSCI Taiwan (USD) Index Futures	50
MSCI Taiwan (USD) Index Options	50
Stock Index Options <sup>Note 3</sup>	100 <sup>Note 2</sup>

<sup>Note 3</sup> Unless otherwise specified in the table.

## APPENDIX B – FEES

Description		Amount <sup>1</sup>
<i>Exchange trading fees</i>		
MSCI China Free (USD) Index Futures	House/Client a/c MM a/c	USD1.00/Lot USD0.50/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant
MSCI China Free (USD) Index Options	House/Client a/c MM a/c	USD1.00/Lot USD0.50/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant
MSCI Taiwan (USD) Index Futures	House/Client a/c MM a/c	USD1.00/Lot USD0.50/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant
MSCI Taiwan (USD) Index Options	House/Client a/c MM a/c	USD1.00/Lot USD0.50/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant

<sup>1</sup> Unless otherwise specified, the amounts listed in this appendix are in HK dollars

Contract Specifications  
For  
MSCI China Free (USD) Index Futures

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Position Limits

Position delta for MSCI China Free (USD) Index Futures and MSCI China Free (USD) Index Options combined of 35,000 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and

Position delta for MSCI China Free (USD) Index Futures and MSCI China Free (USD) Index Options combined of 35,000 long or short in all Contract Months combined, per Client.

Contract Specifications  
For  
MSCI China Free (USD) Index Options

The following Contract Specifications shall apply to the MSCI China Free (USD) Index Option Contract:

Underlying Index/Index	MSCI China Free Index (the USD index of that name compiled, computed and disseminated by MSCI Limited)*
Trading Currency	U.S. dollars
Contract Multiplier	US\$5 per Index point.*
Contract Months	Spot Month, the next calendar month and the next four calendar quarter months (i.e. quarterly months are March, June, September and December)
Trading Hours (Hong Kong time)	9:00 a.m. – 4:30 p.m.  There is no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 9:00 a.m. – 12:30 p.m.
Trading Hours on Expiry Day (Hong Kong time)	9:00 a.m. – 4:30 p.m.  There shall be no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 9:00 a.m. – 12:30 p.m.
Trading Method	The Exchange’s Automated Trading System (HKATS).
Expiry Day	The Business Day immediately preceding the last Business Day of the Contract Month, provided that it is a common business day on which all component stocks of the index are open for trading. If the Expiry Day is not a common business day, the Expiry Day shall be the preceding Business Day which is a common business day.
Option Premium	Option Premium is quoted in whole Index points.
Contracted Value	Option Premium multiplied by the Contract Multiplier.

Strike Prices

Strike Prices shall be set as follows:

<u>MSCI China Free Index (Index points)</u>	<u>Intervals</u>
Below 5,000	50
At or above 5,000 but below 20,000	100
At or above 20,000	200

On any Business Day, new consecutive Strike Prices may be set for, or added to, each Option Contract (other than the Spot Month Option Contract on or after the 5<sup>th</sup> Business Day preceding the Expiry Day) such that at all times there will be Strike Prices representing not less than 10% above, at, and not less than 10% below the at-the-money Strike Price of the Option Contract. On any Business Day in a given month, the at-the-money Strike Price of each Option Contract shall be the previous Business Day's Closing Quotation (as defined in the Clearing House Rules) of (i) the Spot Month MSCI China Free (USD) Index Futures Contract for any day prior to the Expiry Day; and (ii) the next month MSCI China Free (USD) Index Futures Contract for any day on or after the Expiry Day, rounded off to the nearest Strike Price, unless the Closing Quotation is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price.

Strike Prices shall be set on a temporary basis at other intervals as may from time to time be determined by the Chief Executive in consultation with the Commission or at other intervals as may from time to time be determined by the Board in consultation with the Commission. The Exchange reserves the right to introduce new or delete existing Strike Prices at any time.

Exercise Style

European Style options which may only be exercised on Expiry Day.

Settlement on Exercise

Cash settlement (U.S. dollars) of the Final Settlement Value.

Final Settlement Day

The Business Day after the Official Settlement Price is determined.

Official Settlement Price

The Official Settlement Price for MSCI China Free (USD) Index Options Contracts shall be a number, rounded up to the nearest 2 decimal places if the figure in the third decimal place is 5 or above and rounded down to the nearest 2 decimal places if it is below 5, determined by the Clearing House and shall be the official closing value of the MSCI China Free Index on the Expiry Day of the Contract Month. The Chief Executive of the Exchange has the power under the Regulations for Trading Stock Index Options

Contracts to determine the Official Settlement Price under certain circumstances.

Position Limits

Position delta for MSCI China Free (USD) Index Futures and MSCI China Free (USD) Index Options combined of 35,000 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and

Position delta for MSCI China Free (USD) Index Futures and MSCI China Free (USD) Index Options combined of 35,000 long or short in all Contract Months combined, per Client.

Large Open Positions

500 open contracts, in any one series, per Exchange Participant for the Exchange Participant's own behalf; and

500 open contracts, in any one series, per Client.

Minimum Fluctuation

2 Index points.

Trading Fee  
(per contract per side)

Exchange Fee US\$1.00

The amount indicated above is subject to change from time to time.

Levies  
(per contract per side)

Commission Levy and Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance.

Cabinet Trade

No Exchange Fee is payable. Commission Levy and Investor Compensation Levy are applicable.

Exercise Fee

A fee of US\$1.00 will be charged by the Exchange for each option contract exercised. Option contracts not exercised shall be deemed to have expired worthless and will not be assessed an exercise fee.

Commission Rate

Negotiable

\* Same as the MSCI China Free (USD) Index Futures Contract.

Contract Specifications  
For  
MSCI Taiwan (USD) Index Futures

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Position Limits

Position delta for MSCI Taiwan (USD) Index Futures and MSCI Taiwan (USD) Index Options combined of 20,000 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and

Position delta for MSCI Taiwan (USD) Index Futures and MSCI Taiwan (USD) Index Options combined of 20,000 long or short in all Contract Months combined, per Client.

Contract Specifications  
For  
MSCI Taiwan (USD) Index Options

The following Contract Specifications shall apply to the MSCI Taiwan (USD) Index Option Contract:

Underlying Index/Index	MSCI Taiwan Index (the TWD index of that name compiled, computed and disseminated by MSCI Limited)*
Trading Currency	U.S. dollars
Contract Multiplier	US\$100 per Index point.*
Contract Months	Spot Month, the next calendar month and the next four calendar quarter months (i.e. quarterly months are March, June, September and December)
Trading Hours (Hong Kong time)	8:45 a.m. – 4:30 p.m.  There is no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 8:45 a.m. – 12:30 p.m.
Trading Hours on Expiry Day (Hong Kong time)	8:45 a.m. – 1:45 p.m.  There shall be no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 8:45 a.m. – 12:30 p.m.
Trading Method	The Exchange's Automated Trading System (HKATS).
Expiry Day	The Business Day immediately preceding the last Business Day of the Contract Month. If the Expiry Day falls on a Taiwan public holiday, the Expiry Day will be the preceding Business Day which is also a business day in Taiwan.
Option Premium	Option Premium is quoted in 0.1 Index points.
Contracted Value	Option Premium multiplied by the Contract Multiplier.



Strike Prices

Strike Prices shall be set as follows:

<u>MSCI Taiwan Index (Index points)</u>	<u>Intervals</u>
Below 200	1
At or above 200 but below 500	2
At or above 500 but below 1000	5
At or above 1000	10

On any Business Day, new consecutive Strike Prices may be set for, or added to, each Option Contract (other than the Spot Month Option Contract on or after the 5<sup>th</sup> Business Day preceding the Expiry Day) such that at all times there will be Strike Prices representing not less than 10% above, at, and not less than 10% below the at-the-money Strike Price of the Option Contract. On any Business Day in a given month, the at-the-money Strike Price of each Option Contract shall be the previous Business Day's Closing Quotation (as defined in the HKCC Rules) of (i) the Spot Month MSCI Taiwan (USD) Index Futures Contract for any day prior to the Expiry Day; and (ii) the next month MSCI Taiwan (USD) Index Futures Contract for any day on or after the Expiry Day, rounded off to the nearest Strike Price, unless the Closing Quotation is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price.

Strike Prices shall be set on a temporary basis at other intervals as may from time to time be determined by the Chief Executive in consultation with the Commission or at other intervals as may from time to time be determined by the Board in consultation with the Commission. The Exchange reserves the right to introduce new or delete existing Strike Prices at any time.

Exercise Style

European Style options which may only be exercised on Expiry Day.

Settlement on Exercise

Cash settlement (U.S. dollars) of the Final Settlement Value.

Final Settlement Day

The Business Day after the Official Settlement Price is determined.

Official Settlement Price

The Official Settlement Price for MSCI Taiwan (USD) Index Options shall be a number, rounded up to the nearest 2 decimal places if the figure in the third decimal place is 5 or above and rounded down to the nearest 2 decimal places if it is below 5, determined by the Clearing House and shall be the average of quotations of the MSCI Taiwan Index compiled, computed and disseminated by MSCI Limited taken at (i) one (1) minute intervals during the last twenty five (25) minutes of trading on the Taiwan

Stock Exchange Corporation before the end of the continuous trading session, and (ii) the closing index value on the Expiry Day. The Chief Executive of the Exchange has the power under the Regulations for trading Stock Index Options to determine the Official Settlement Price under certain circumstances.

Position Limits	Position delta for MSCI Taiwan (USD) Index Futures and MSCI Taiwan (USD) Index Options combined of 20,000 long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and
	Position delta for MSCI Taiwan (USD) Index Futures and MSCI Taiwan (USD) Index Options combined of 20,000 long or short in all Contract Months combined, per Client.
Large Open Positions	500 open contracts, in any one series, per Exchange Participant for the Exchange Participant's own behalf; and
	500 open contracts, in any one series, per Client.
Minimum Fluctuation	0.1 Index point.
Trading Fee (per contract per side)	Exchange Fee US\$1.00
	The amount indicated above is subject to change from time to time.
Levies (per contract per side)	Commission Levy and Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance.
Cabinet Trade	No Exchange Fee is payable. Commission Levy and Investor Compensation Levy are applicable.
Exercise Fees	Options that are exercised on Expiry Day shall attract an Exercise Fee of US\$1.00 per contract.
	Contracts that are not exercised by the Clearing House will be deemed to have expired worthless and will not attract an Exercise Fee.
Commission Rate	Negotiable

\* Same as the MSCI Taiwan (USD) Index Futures Contract.

**REGULATIONS FOR TRADING STOCK INDEX OPTIONS CONTRACTS**

**LIQUIDITY PROVISION**

- 033 Notwithstanding anything contained in the Rules, the Exchange may from time to time, in its absolute discretion, appoint Exchange Participants to provide liquidity for Stock Index Options Contracts in the Stock Index Option Market at any time and on such terms and conditions as the parties may agree. For the avoidance of doubt, the terms and conditions of any appointment, including the liquidity providing activities, the liquidity providing arrangements, the liquidity providing requirements, the Exchange fee concessions and/or other incentives upon meeting the liquidity providing requirements, are subject to negotiation between the Exchange and the relevant Exchange Participant and may therefore vary among different appointments of different Exchange Participants.