

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

**CHAPTER I**

**INTERPRETATION ADMINISTRATION  
AND AMENDMENT OF THE RULES**

Definitions and Interpretation

101. In these Rules, unless the context otherwise requires, the following expressions shall bear the following meanings:-

“cooling-off period” in relation to a VCM Exchange Contract, means a period during which trading of the VCM Exchange Contract shall be subject to Rule 828;

“VCM” means the Volatility Control Mechanism imposed by the Exchange on VCM Exchange Contracts for the purpose of safeguarding market integrity from extreme price volatility, as referred to in Rule 826;

“VCM Exchange Contract” means an Exchange Contract with such Contract Month as may be prescribed by the Exchange to be subject to the VCM;

“VCM Exchange Contract Order” means an order for a VCM Exchange Contract other than an order for (a) Tailor Made Combinations; (b) spread or strategy combination listed in the “Series/Combination” window of HKATS (except derived orders generated automatically as Bait Orders); and (c) Block Trades;

“VCM percentage” means the percentage, prescribed by the Exchange from time to time, for the purpose of calculating the price limits as referred to in Rule 827(2);

“VCM reference price” means the reference price, prescribed by the Exchange from time to time, for the purpose of calculating the price limits as referred to in Rule 827(2);

**CHAPTER VIII**

**TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS**

Volatility Control Mechanism

826. (1) The Exchange may impose a VCM on selected Exchange Contracts. Unless otherwise determined by the Exchange, the operation of the VCM in relation to a VCM Exchange Contract involves a VCM monitoring period as set out in Rule 827(1) during which a cooling-off period may be triggered pursuant to Rule 827(3).
- (2) The Exchange may prescribe from time to time in its absolute discretion a list of VCM Exchange Contracts which are subject to the VCM and may from time to time amend such list by adding to or removing from the list any VCM Exchange Contracts.
827. (1) VCM Exchange Contract Orders in respect of each VCM Exchange Contract shall be subject to VCM monitoring during such trading session or sessions of the VCM Exchange Contract as may be prescribed by the Exchange, with the exception of the period or periods specified by the Exchange from time to time.
- (2) For the purposes of Rules 827 and 828, unless otherwise determined by the Exchange –
- (a) the upper price limit means the price which is the VCM percentage above the VCM reference price; and
- (b) the lower price limit means the price which is the VCM percentage below the VCM reference price.
- (3) Subject to Rule 828(1), during the VCM monitoring period, a cooling-off period will be triggered in respect of a VCM Exchange Contract if any VCM Exchange Contract Order entered into HKATS or any remaining unmatched part of such VCM Exchange Contract Order would, if matched, result in a traded price in that VCM Exchange Contract which is -
- (a) higher than the upper price limit; or
- (b) lower than the lower price limit.
828. (1) The maximum number of times that a cooling-off period may be triggered during the VCM monitoring period of a VCM Exchange Contract and the duration of such cooling-off period shall be prescribed by the Exchange from time to time.

- (2) A cooling-off period shall commence immediately upon being triggered and shall last until whichever is the earlier of (a) the end of the prescribed duration; or (b) the end of the morning trading session or afternoon trading session, as the case may be. Where applicable, normal trading of the relevant VCM Exchange Contract will resume at the end of the cooling-off period.
- (3) On the commencement of the cooling-off period, unless otherwise determined by the Exchange,
- (a) the whole of the VCM Exchange Contract Order or the whole of such remaining unmatched part of any VCM Exchange Contract Order which triggered the cooling-off period will be rejected or cancelled, as the case may be, and will not be matched; and
- (b) (i) where the cooling-off period is triggered pursuant to Rule 827(3)(a), all buy VCM Exchange Contract Orders, including the remaining unmatched part of any buy VCM Exchange Contract Orders, for the relevant VCM Exchange Contract on any buying queues with a price higher than the upper price limit will be cancelled automatically;  
or
- (ii) where the cooling-off period is triggered pursuant to Rule 827(3)(b), all sell VCM Exchange Contract Orders, including the remaining unmatched part of any sell VCM Exchange Contract Orders, for the relevant VCM Exchange Contract on any selling queues with a price lower than the lower price limit will be cancelled automatically.
- (4) Unless otherwise determined by the Exchange, during the cooling-off period,
- (a) the price of any buy VCM Exchange Contract Orders shall not be higher than the upper price limit; and
- (b) the price of any sell VCM Exchange Contract Orders shall not be lower than the lower price limit.