

Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

REGULATIONS FOR TRADING STOCK INDEX FUTURES CONTRACTS

INTERPRETATION

002 The Exchange Rules and the Clearing House Rules (referred to collectively as the “Rules”) including the definitions, rules of interpretation and administrative provisions shall apply for the purposes of these Regulations. Unless specifically provided otherwise, the terms and expressions set out below shall have the meanings attributed to them herein. In the event of any conflict or inconsistency between the Rules (other than these Regulations) and these Regulations, including the Contract Specifications (which form part of these Regulations), the Regulations shall in all cases prevail.

“Long-dated Futures” Stock Index Futures with Contract Months for Long-dated Futures as specified in the Contract Specifications;

“Short-dated Futures” Stock Index Futures with Contract Months for Short-dated Futures as specified in the Contract Specifications;

REGULATIONS FOR TRADING STOCK INDEX OPTIONS CONTRACTS

INTERPRETATION

002 The Exchange Rules and the Clearing House Rules (referred to collectively as the “Rules”) including the definitions, rules of interpretation and administrative provisions shall apply for the purposes of these Regulations. Unless specifically provided otherwise, the terms and expressions set out below shall have the meanings attributed to them herein. In the event of any conflict or inconsistency between the Rules (other than these Regulations) and these Regulations, including the Contract Specifications (which form part of these Regulations), the Regulations shall in all cases prevail.

- “Flexible Option” a Stock Index Option at the time of its creation (i) with ~~a~~ Contract Months other than ~~that of~~ a Short-dated Option or a Long-dated Option or (ii) with ~~the same~~ Contract Month ~~which is the same as that~~ of a Short-dated Option or a Long-dated Option but with a Strike Price, in whole index points, not within the Strike Price Intervals of a Short-dated Option ~~and~~ a Long-dated Option specified ~~by the Exchange~~ in the Contract Specifications;
- “Long-dated Options” ~~a~~ Stock Index Options ~~with Contract Months for Long-dated Options as specified in the Contract Specifications other than a Short-dated Option~~;
- “Short-dated Options” ~~a~~ Stock Index Options with ~~the~~ Contract Months ~~for Short-dated Options~~ as specified ~~by the Exchange~~ in the Contract Specifications;

Contract Specifications
For
Hang Seng Index (HSI) Futures

The following Contract Specifications shall apply to the Hang Seng Index Futures Contract**:

Contract Months For Short-dated Futures: Spot Month, - the next calendar month, and the next two calendar quarter months (i.e. quarterly months are March, June, September and December)

For Long-dated Futures: The five months of December following the Contract Months specified for Short-dated Futures

Contract Specifications
For
Hang Seng China Enterprises Index (HSCEI) Futures

The following Contract Specifications shall apply to the Hang Seng China Enterprises Index Futures Contract:-

Contract Months For Short-dated Futures: Spot Month, the next calendar month, and the next two calendar quarter months (i.e. quarterly months are March, June, September, and December)

For Long-dated Futures: The five months of December following the Contract Months specified for Short-dated Futures

Contract Specifications
For
Hang Seng Index (HSI) Options

The following Contract Specifications shall apply to the Hang Seng Index (“HSI”) Option Contract**:-

Contract Months ~~(For Short-dated Options):~~ Spot Month, the next three calendar months, and the next three calendar quarter months (i.e. quarter months are March, June, September and December) ~~and~~

~~(for For Long-dated Options):~~ the ~~next five~~three months of June and December plus the next three months of December following the Contract Months specified for Short-dated Options(see Note 1).

~~(For Flexible Options):~~ Any calendar month up to the most distant month specified for Long-dated Options (see Note 21).

Strike Prices Strike Prices shall be set as follows:

<u>HSI (Index points)</u>	<u>Intervals</u>
<i>Short-dated Options</i>	
Below 2,000	50
At or above 2,000 but below 8,000	100
At or above 8,000	200
 <i>Long-dated Options</i>	
Below 4,000	100
At or above 4,000 but below 8,000	200
At or above 8,000 but below 12,000	400
At or above 12,000 but below 15,000	600
At or above 15,000 but below 19,000	800
At or above 19,000	1,000

Flexible Options
Any Strike Price, in whole index points, that is within Strike Prices representing not more than 30% above and not less than 30% below the opening price of the Spot Month HSI Futures Contract or at other specified range as stipulated by the Exchange from time to time can be accepted for option series described under Note 21.

On any business day, new consecutive Strike Prices may be

set for, or added to, each Short-dated Option Contract (other than the Spot Month Option Contract on or after the 5th 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 Short-dated Option Contract shall be the previous business day's Closing Quotation (as defined in the HKCC Rules) of (i) the Spot Month HSI Futures Contract for any day prior to the Expiry Day; and (ii) the next month HSI 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.

For Long-dated Options, Strike Prices shall be set or added in the same manner as for Short-dated Options except that there shall at all times be Strike Prices representing 20% above, at and 20% below the at-the-money Strike Price, rounded off to the nearest Strike Price, unless the 20% is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price.

For both Short- and Long-dated Options, 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.

Note 1

~~After the Expiry Day in June and December respectively, a new Long-dated Option with a 3½ year term will be introduced and new Strike Prices will be set in the manner set forth under "Strike Prices" above.~~

Note 21

Trading may be conducted in Flexible Option with option series of any Contract Month and Strike Price within the parameters set forth above, provided that at the time of its creation the option series does not have the same Contract Month and Strike Price as any existing Short-dated or Long-dated Options. After its creation, all existing open positions established in Flexible Options shall be fully fungible with transactions in the respective Short-dated or Long-dated Options if they have the same Strike Price and Expiry Day as that of the Flexible Options.

<p>Contract Specifications for Hang Seng China Enterprises Index (HSCEI) Options</p>
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The following Contract Specifications shall apply to the Hang Seng China Enterprises Index Option Contract**:-

Contract Months ~~(For Short-dated Options):~~ Spot Month, the next three calendar months, and the next three calendar quarter months (i.e. quarter months are March, June, September, ~~and~~ December) ~~and~~

~~(For Long-dated Options):~~ the ~~next~~ three months of June and December plus the next three months of December following the Contract Months specified for Short-dated Options (see Note 1).

~~(For Flexible Options):~~ Any calendar month up to the most distant month specified for Long-dated Options (see Note 21)

Strike Prices

Strike Prices shall be set as follows:

<u>HSCEI (Index points)</u>	<u>Intervals</u>
<i>Short-dated Options</i>	
Below 2,000	50
At or above 2,000 but below 8,000	100
At or above 8,000	200
 <i>Long-dated Options</i>	
Below 4,000	100
At or above 4,000 but below 8,000	200
At or above 8,000 but below 12,000	400
At or above 12,000 but below 15,000	600
At or above 15,000 but below 19,000	800
At or above 19,000	1,000

Flexible Options

Any Strike Price, in whole index points, that is within Strike Prices representing not more than 30% above and not less than 30% below the opening price of the Spot Month HSCEI Futures Contract or at other specified range as stipulated by the Exchange from time to time can be accepted for option series described under Note 21.

On any business day, new consecutive Strike Prices may be set for, or added to, each Short-dated Option Contract (other than the Spot Month Option Contract on or after the 5th

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 Short-dated Option Contract shall be the previous business day's Closing Quotation (as defined in the HKCC Rules) of (i) the Spot Month HSCEI Futures Contract for any day prior to the Expiry Day; and (ii) the next month HSCEI 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.

For Long-dated Options, Strike Prices shall be set or added in the same manner as for Short-dated Options except that there shall at all times be Strike Prices representing 20% above, at and 20% below the at-the-money Strike Price, rounded off to the nearest Strike Price, unless the 20% is precisely midway between two Strike Prices in which case it shall be rounded off to the lower Strike Price.

For both Short- and Long-dated Options, 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 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.

Note 1

~~After the Expiry Day in June and December respectively, a new Long-dated Option with a 2½-year term will be introduced and new Strike Prices will be set in the manner set forth under "Strike Prices" above.~~

Note 21

Trading may be conducted in Flexible Options with option series of any Contract Month and Strike Price within the parameters set forth above, provided that at the time of its creation the option series does not have the same Contract Month and Strike Price as any existing Short-dated or Long-dated Options. After its creation, all existing open positions established in Flexible Options shall be fully fungible with transactions in the respective Short-dated or Long-dated Options if they have the same Strike Price and Expiry Day as that of the Flexible Options.