

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 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.

Exchange Contract	Minimum Volume Threshold (no. of contracts)
<u>Currency Options</u>	<u>50</u>

APPENDIX B – FEES

Description	Amount¹
<i>Exchange trading fees</i>	
<u>USD/CNH Options</u>	<u>RMB8.00/Lot</u> <u>RMB8.00/Lot</u> <u>or such lesser amount as the</u> <u>Exchange may from time to</u> <u>time agree with the relevant</u> <u>Exchange Participant</u>
	<u>House/Client a/c</u> <u>MM a/c</u>

TRADING PROCEDURES FOR CURRENCY FUTURES AND CURRENCY OPTIONS TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE (“HKATS”)

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CHAPTER 1

TRADING

1.1 *Method of Trading*

Trading in Currency Futures Contracts and Currency Options Contracts shall be conducted exclusively through the Automated Trading System of the Exchange (“HKATS”) in accordance with the Exchange Rules, the Clearing House Rules, applicable Regulations, Contract Specifications and Procedures, the Clearing House Procedures and the HKATS User’s Guide.

CHAPTER 2

ELIGIBILITY TO TRADE CURRENCY FUTURES CONTRACTS AND CURRENCY OPTIONS CONTRACTS

2.1 *Currency Futures and Currency Options Trading Privileges*

An Exchange Participant must be approved by the Exchange to trade Currency Futures Contracts and Currency Options Contracts through HKATS.

To be approved to trade Currency Futures Contracts and Currency Options Contracts an Exchange Participant shall have at least one (1) HKATS Exchange Participant Representative who is registered with the Exchange to trade Currency Futures Contracts and Currency Options Contracts.

CHAPTER 4

DEALING FUNCTIONALITY

4.1 *Order Entry*

An Order in a Currency Futures Contract or a Currency Options Contract may be entered into HKATS only during the trading hours and, where applicable, the pre-opening session (in respect of Limit Orders and Auction Orders) and the pre-open allocation session (in respect of Auction Orders only) of the Pre-Market Opening Period for the Currency Futures Contract or the Currency Options Contract.

4.2 *Automatic Cancellation of an Order due to Suspension of Trading or Site Failure*

An Order resident on the Central Orderbook for a Currency Futures Contract or a Currency Options Contract will be canceled upon the suspension of trading in that Currency Futures Contract or Currency Options Contract.

Notification of a suspension of trading in a Currency Futures Contract or a Currency Options Contract will be made on the HKATS Market Message display window.

Notification of the resumption of trading in a suspended Currency Futures Contract or a suspended Currency Options Contract will be made on the HKATS Market Message display window not less than ten (10) minutes, or such shorter period as the Chief Executive may determine, prior to the resumption of trading in that Currency Futures Contract or Currency Options Contract.

An Order automatically canceled due to the suspension of trading in a Currency Futures Contract or a Currency Options Contract may be re-entered into HKATS upon the resumption of trading in that Currency Futures Contract or Currency Options Contract.

4.3 *Order Amendments and Cancellations*

An Order in a Currency Futures Contract or a Currency Options Contract entered into the Central Orderbook on behalf of a Client or the Exchange Participant and designated a particular Order number may be amended or canceled provided that the amendment or cancellation is made in compliance with the instructions of that Client or the Exchange Participant, as the case may be, in respect of that particular Order.

4.4 *Execution of Standard Combinations*

4.4.1 In the event an Order for a spread or strategy combination listed in the “Series/Combinations” window of HKATS (“standard combination”) involving Currency Futures Contracts or Currency Options Contracts is entered into HKATS, HKATS will automatically generate derived Orders (“Bait Orders”) based on the prevailing market price of each individual market series comprising the standard combination and the price of the Order for the standard combination. Prices of these Bait Orders will be automatically adjusted according to price movement in the individual market series comprising the standard combination.

- 4.4.3 In the event an Order for a standard combination is executed separately as Bait Orders in the individual market series, each Currency Futures Contract or Currency Options Contract comprising the standard combination will be matched at the prevailing market price of the individual market series. Any matched Contracts will be recorded in HKATS as separate trades in the individual market series.
- 4.4.4 In the event an Order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual market series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the Currency Futures Contracts or Currency Options Contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

4.7 *Pre-Market Opening*

- 4.7.1 The pre-market opening algorithm of HKATS shall apply to such Currency Futures Contract(s) and/or Currency Options Contract(s) as the Exchange may from time to time notify to Exchange Participants.
- 4.7.4.5 If more than one price satisfies the rule in procedure 4.7.4.4, the COP shall be the price closest to the previous Closing Quotation (as defined in the Clearing House Rules) of the relevant Currency Futures Contract or Currency Options Contract and if different trading sessions apply, (i) the COP in the case of the morning trading session shall be the price closest to the previous Closing Quotation as aforesaid and (ii) the COP in the case of the afternoon trading session shall be the price closest to the last traded price if the relevant Currency Futures Contract or Currency Options Contract was traded in the immediately preceding morning trading session or if there was no trading in the immediately preceding morning trading session, the rule in this procedure 4.7.4.5 shall be disregarded and the calculation of the COP shall proceed in accordance with the rule set forth in procedure 4.7.4.6;

4.8 *Creation, Execution and Deletion of Tailor-Made Combinations*

- 4.8.1 Exchange Participants can define and create a Tailor-Made Combination involving such Currency Futures Contracts and/or Currency Options Contracts and during such trading sessions as the Exchange may from time to time notify Exchange Participants using the tailor-made combination function of HKATS. Once created, a Tailor-Made Combination can be traded like a normal market series.

4.8.2 Exchange Participants shall ensure that the following criteria are satisfied when creating a Tailor-Made Combination:

- the number of futures contract months or option series (“legs”) comprising the strategy is within the range prescribed by the Exchange;

4.8.4 The executed price of a trade in a Tailor-Made Combination may not necessarily correspond with the prevailing market prices of the Currency Futures Contracts or Currency Options Contracts comprising the Tailor-Made Combination. The matched trade in the Tailor-Made Combination will be recorded in HKATS as separate trades in the individual market series.

CHAPTER 5

CONTINGENCY PROCEDURES

5.1 Typhoon Signals and Black Rainstorm Warnings

Unless otherwise decided by the Exchange, the trading arrangements of Currency Futures Contracts and Currency Options Contracts upon the approach and the retreat of Typhoons and/or the issuance and cancellation of Black Rainstorm Warnings shall be as follows:

(a) Trading Arrangement for all trading days except the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above	
(i) If a Typhoon Signal no. 8 or above is hoisted at any time prior to 9:00 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Commencement of trading will take place^(Note 1): - at 9:00 a.m. if the Signal is lowered at or before 7:00 a.m.; - at 9:30 a.m. if the Signal is lowered at or before 7:30 a.m.; - at 10:00 a.m. if the Signal is lowered at or before 8:00 a.m.; - at 10:30 a.m. if the Signal is lowered at or before 8:30 a.m.; - at 11:00 a.m. if the Signal is lowered at or before 9:00 a.m.; - at 11:30 a.m. if the Signal is lowered at or before 9:30 a.m.; - at 12:00 noon if the Signal is lowered at or before 10:00 a.m.;

	<ul style="list-style-type: none"> - at 12:30 p.m. if the Signal is lowered at or before 10:30 a.m.; - at 1:00 p.m. if the Signal is lowered at or before 11:00 a.m.; - at 1:30 p.m. if the Signal is lowered at or before 11:30 a.m.; - at 2:00 p.m. if the Signal is lowered at or before 12:00 noon. - There will be no trading for the day if the Signal is lowered after 12:00 noon.
(ii) If a Typhoon Signal no. 8 or above is hoisted during the trading hours at or between 9:00 a.m. and 12:00 noon:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Trading will be terminated 15 minutes after the hoisting of the Signal. - Trading will resume from 2:00 p.m. if the Signal is lowered at or before 12:00 noon ^(Note 1). - There will be no trading for the rest of the day if the Signal is lowered after 12:00 noon.
(iv) If a Typhoon Signal no. 8 or above is hoisted after the end of the day trading session but before the commencement of the after-hours trading session ^(Note 2) :	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - There will be no trading in the after-hours trading session.
(v) If a Typhoon Signal no. 8 or above is hoisted during the after-hours trading session ^(Note 2) :	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the after-hours trading session.

(aa) Trading arrangement for the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above	
(i) if a Typhoon Signal no. 8 or above is hoisted at any time prior to 9:00 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Commencement of trading will take place ^(Note 1): <ul style="list-style-type: none"> - at 9:00 a.m. if the Signal is lowered at or before 7:00 a.m.; - at 9:30 a.m. if the Signal is lowered at or before 7:30 a.m.; - at 10:00 a.m. if the Signal is lowered at or before 8:00 a.m.; - at 10:30 a.m. if the Signal is lowered at or before 8:30 a.m.; or - at 11:00 a.m. if the Signal is lowered at or before 9:00 a.m. - There will be no trading for the day if the Signal is lowered after 9:00 a.m.

Note 1: In the event the Pre-Market Opening Period applies to any Currency Futures Contract, the Pre-Market Opening Period for that Currency Futures Contract will commence thirty (30) minutes before the indicated time of commencement or resumption of trading.

Note 2: Applicable only to the trading of Currency Futures Contracts.

(b) Trading arrangement for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning	
(i) If a Black Rainstorm Warning is issued at any time prior to 9:00 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Commencement of trading will take place ^(Note 1): <ul style="list-style-type: none"> - at 9:00 a.m. if the Warning is cancelled at or before 7:00 a.m.; - at 9:30 a.m. if the Warning is cancelled at or before 7:30 a.m.; - at 10:00 a.m. if the Warning is cancelled at or before 8:00 a.m.; - at 10:30 a.m. if the Warning is cancelled at or before 8:30 a.m.; - at 11:00 a.m. if the Warning is cancelled at or before 9:00 a.m.; - at 11:30 a.m. if the Warning is cancelled at or

	<p>before 9:30 a.m.;</p> <ul style="list-style-type: none"> - at 12:00 noon if the Warning is cancelled at or before 10:00 a.m.; - at 12:30 p.m. if the Warning is cancelled at or before 10:30 a.m.; - at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.; - at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or - at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon. <p>- There will be no trading for the day if the Warning is cancelled after 12:00 noon.</p>
(iii) If a Black Rainstorm Warning is issued after the end of the day trading session but before the commencement of the after-hours trading session (Note 2) ;	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - If there was trading in the day trading session, trading in the after-hours trading session will take place.
(iv) If a Black Rainstorm Warning is issued during the after-hours trading session (Note 2) ;	Trading will continue as normal

Note 1: In the event the Pre-Market Opening Period applies to any Currency Futures Contract, the Pre-Market Opening Period for that Currency Futures Contract will commence thirty (30) minutes before the indicated time of commencement or resumption of trading.

Note 2: [Applicable only to the trading of Currency Futures Contracts.](#)

Contract Specifications
For
US Dollar vs Renminbi (Hong Kong) (“USD/CNH”) Options

The following Contract Specifications shall apply to the USD/CNH Option Contract:

<u>Contract Size</u>	<u>USD100,000</u>
<u>Contract Months</u>	<u>Spot month, the next three calendar months and the next four calendar quarter months (i.e. quarter months are March, June, September and December). The Chief Executive may, in consultation with the Commission, introduce additional Contract Months for trading from time to time as he considers appropriate</u>
<u>Price Quotation</u>	<u>RMB per USD</u>
<u>Tick Value</u>	<u>RMB 10</u>
<u>Trading Hours (Hong Kong time)</u>	<u>9:00 a.m. – 4:30 p.m.</u> <u>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.</u>
<u>Trading Hours on Expiry Day (Hong Kong time)</u>	<u>9:00 a.m. – 11:00 a.m.</u>
<u>Trading Method</u>	<u>The Exchange’s Automated Trading System (HKATS)</u>
<u>Expiry Day</u>	<u>Two Hong Kong Business Days prior to the Final Settlement Day</u>
<u>Option Premium</u>	<u>Quoted in 4 decimal places</u>
<u>Contracted Value</u>	<u>Option Premium multiplied by the Contract Size</u>
<u>Strike Prices</u>	<u>Strike Prices shall be set at intervals of 0.05</u> <u>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 5th business day preceding the Expiry Day) such that at all times there will be</u>

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 USD/CNH Futures Contract for any day prior to the Expiry Day; and (ii) the next month USD/CNH 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 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

Physical Delivery on Exercise. Delivery of US dollars or payment of the Final Settlement Value in RMB in accordance with the mechanism and provisions set forth in the Regulations for Trading Currency Options Contracts and the Clearing House Rules

	<u>Holder</u>	<u>Writer</u>
<u>Call Options</u>	<u>Payment of the Final Settlement Value in RMB</u>	<u>Delivery of US dollars</u>
<u>Put Options</u>	<u>Delivery of US dollars</u>	<u>Payment of the Final Settlement Value in RMB</u>

Final Settlement Day

The third (3rd) Wednesday of the Contract Month. If it is not a Hong Kong Business Day, the Final Settlement Day shall be the next Hong Kong Business Day

Official Settlement Price

USD/CNY(HK) Spot Rate published by the Hong Kong Treasury Markets Association at or around 11:30 a.m. on the Expiry Day

Position Limits

For the USD/CNH Futures Contract, CNH/USD Futures Contract and USD/CNH Option Contract combined, a position delta of 8,000 long or short in all Contract Months combined per Exchange Participant for the Exchange Participant's own behalf; and

For the USD/CNH Futures Contract, CNH/USD Futures Contract and USD/CNH Option Contract combined, a position delta of 8,000 long or short in all Contract Months combined per Client

The position delta equivalent of a CNH/USD Futures Contract to a USD/CNH Futures shall be calculated as follows:

<u>Position Delta</u>	<u>Equivalent Position Delta</u>
<u>One short CNH/USD Futures Contract</u>	<u>0.5 of one long USD/CNH Futures Contract</u>
<u>One long CNH/USD Futures Contract</u>	<u>-0.5 of one long USD/CNH Futures Contract</u>

Position delta for the Spot Month USD/CNH Futures Contract and the Spot Month USD/CNH Option Contract combined during the five Hong Kong Business Days up to and including the Expiry Day shall not exceed 2,000 long or short

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

RMB 0.0001 (4 decimal places)

Trading Fee
(per contract per side)

Exchange Fee RMB 8.00

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 RMB 8.00 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

Contract Specifications
For
US Dollar vs Renminbi (Hong Kong) (“USD/CNH”) Futures

Contract Months Spot month, the next three calendar months and the next ~~four~~five calendar quarter months (i.e. quarter months are March, June, September and December). The Chief Executive may, in consultation with the Commission, introduce additional Contract Months for trading from time to time as he considers appropriate

Position Limits For the USD/CNH Futures Contract ~~and~~, CNH/USD Futures Contract and USD/CNH Option Contract combined, a ~~net~~net position delta of 8,000 long or short contracts of USD/CNH Futures Contract in all Contract Months combined, per Exchange Participant for the Exchange Participant’s own behalf; ~~and. For this purpose, the position of one short CNH/USD Futures Contract will have a value of 0.5 of one long USD/CNH Futures Contract and the position of one long CNH/USD Futures Contract will have a value of -0.5 of one long USD/CNH Futures Contract. The position for the Spot Month USD/CNH Futures Contract during the five Hong Kong Business Days up to and including the Last Trading Day shall not exceed 2,000 open contracts~~

For the USD/CNH Futures Contract, ~~and~~ CNH/USD Futures Contract and USD/CNH Option Contract combined, a ~~net~~net position delta of 8,000 ~~contracts of USD/CNH Futures Contract~~long or short in all Contract Months combined per Client

For this purpose, the position delta equivalent of a CNH/USD Futures Contract to a USD/CNH Futures Contract shall be calculated as follows:

<u>Position Delta</u>	<u>Equivalent Position Delta</u>
<u>One short CNH/USD Futures Contract</u>	<u>0.5 of one long USD/CNH Futures Contract</u>
<u>One long CNH/USD Futures Contract</u>	<u>-0.5 of one long USD/CNH Futures Contract</u>

~~For this purpose, the position of one short CNH/USD Futures Contract will have a value of 0.5 of one long USD/CNH Futures Contract and the position of one long CNH/USD Futures Contract will have a value of -0.5 of one long USD/CNH Futures Contract. The position delta for the Spot Month USD/CNH Futures Contract and the Spot Month USD/CNH Option Contract combined during the five Hong Kong Business Days up to and including the Last Trading Day shall not exceed 2,000 long or short open contracts~~

**Contract Specifications
For
Renminbi (Hong Kong) vs US Dollar (“CNH/USD”) Futures**

Position Limits

For ~~the~~ USD/CNH Futures Contract, ~~and~~ CNH/USD Futures Contract ~~and USD/CNH Option Contract~~ combined, a ~~net~~ position ~~delta~~ of 8,000 ~~long or short contracts of USD/CNH Futures Contract~~ in all Contract Months combined, per Exchange Participant for the Exchange Participant’s own behalf; ~~and. For this purpose, the position of one short CNH/USD Futures Contract will have a value of 0.5 of one long USD/CNH Futures Contract and the position of one long CNH/USD Futures Contract will have a value of -0.5 of one long USD/CNH Futures Contract. The position for CNH/USD Futures Contract shall not at any time exceed 16,000 net long or short contracts in all Contract Months combined~~

For ~~the~~ USD/CNH Futures Contract, ~~and~~ CNH/USD Futures Contract ~~and USD/CNH Option Contracts~~ combined, a ~~net~~ position ~~delta~~ of 8,000 ~~long or short contracts of USD/CNH Futures Contract~~ in all Contract Months combined per Client

For this purpose, the position delta equivalent of a USD/CNH Futures Contract to a CNH/USD Futures Contract shall be calculated as follows:

<u>Position Delta</u>	<u>Equivalent Position Delta</u>
<u>One short CNH/USD Futures Contract</u>	<u>0.5 of one long USD/CNH Futures Contract</u>
<u>One long CNH/USD Futures Contract</u>	<u>-0.5 of one long USD/CNH Futures Contract</u>

~~For this purpose, the position of one short CNH/USD Futures Contract will have a value of 0.5 of one long USD/CNH Futures Contract and the position of one long CNH/USD Futures Contract will have a value of -0.5 of one long USD/CNH Futures Contract. The position for CNH/USD Futures Contract shall not at any time exceed 16,000 net long or short contracts in all Contract Months combined~~

REGULATIONS FOR TRADING CURRENCY OPTIONS CONTRACTS

INTERPRETATION

001 These Regulations may be cited as the Regulations for trading Currency Options Contracts (hereinafter referred to as the "Regulations").

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.

"Cabinet Trade" an option that is executed at a price prescribed by the Exchange as the Minimum Fluctuation;

"Contract Month" the month and year in which an option expires;

"Contract Size" for any Currency Options Contract, the size so designated in the applicable Contract Specifications;

"Contracted Value" the Options Premium multiplied by the Contract Size or, if different, the value as specified in the applicable Contract Specifications;

"Currency Option" or "option" an Option Contract on a given currency at a specified exchange rate;

"Currency Options Contract" an Exchange Contract subject to these Regulations;

"Currency Options Market" a Market subject to these Regulations;

"Expiry Day" the only Business Day on which a Currency Option can be exercised subject to Rule 901 of the Exchange Rules and as specified in the Contract Specifications;

"Final Settlement Day" the Final Settlement Day as specified from time to time in the Contract Specifications of the relevant Currency Options Contract;

<u>“Final Settlement Value”</u>	<u>the value of a Currency Option as specified in Regulations 014 to 017 for cash settled contracts and in Regulations 021 to 024 for Physical Delivery Contracts;</u>
<u>“Holder”</u>	<u>an HKCC Participant which holds a long option position;</u>
<u>“Hong Kong Business Day”</u>	<u>means any day during which the Exchange is open for trading Exchange Contracts according to the trading calendar prescribed by the Exchange from time to time based on the Hong Kong holiday schedule;</u>
<u>“Maximum Fluctuation”</u>	<u>the maximum allowable movement in the price of any Currency Options Contract per trading session above or below the last Closing Quotation or such other reference price as may be specified by the Exchange from time to time;</u>
<u>“Minimum Fluctuation”</u>	<u>the minimum allowable movement in the price of any Currency Options Contract as specified in the Contract Specifications;</u>
<u>“Official Settlement Price”</u>	<u>the price as determined by the Clearing House and calculated in accordance with the Contract Specifications;</u>
<u>“Option Premium”</u>	<u>the price at which an option is bought or sold excluding any commissions, trading fees and applicable levies;</u>
<u>“Settlement Currency”</u>	<u>(a) in respect of any Currency Options Contract which is a cash settled contract, the currency in which the Currency Options Contract shall be settled, as specified in the Contract Specifications; and (b) in respect of any Currency Options Contract which is a Physical Delivery Contract:</u> <u>(i) in the case of the Holder of a call option or Writer of a put option, the Settlement Currency shall be the currency in which the Currency Options Contract shall be settled by the Holder of a call option or the Writer of a put option; and</u>

(ii) in the case of the Writer of a call option or the Holder of a put option, the Settlement Currency for final settlement shall be the currency underlying the Currency Options Contract which shall be delivered by the Writer of a call option or the Holder of a put option and the Settlement Currency for payment of Clearing House margin, variation adjustment and any other form of margin or fees which may be imposed by the Clearing House or the Exchange shall be the currency in which the Currency Options Contract is traded;

“Spot Month Options Contract” in a given month: (i) on day(s) prior to and “Spot Month” and on the Expiry Day of that month, a Spot Month Currency Option refers to a Currency Option with an Expiry Day in that same given month; and (ii) on the day after the Expiry Day of that month, a Spot Month Currency Option refers to a Currency Option with an Expiry Day in the immediately following month; and Spot Month shall be construed accordingly;

“Tick Value” the value of the Minimum Fluctuation multiplied by the Contract Size or, if different, the value as specified in the applicable Contract Specifications;

“Trading Hours” such period or periods, approved by the Board, within a Hong Kong Business Day in which trading in any or all Currency Options Contracts occurs, as specified in the Contract Specifications;

“Underlying Currency” in respect of any Currency Options Contract which is a Physical Delivery Contract, the currency underlying the Currency Options Contract which shall be delivered by the Writer of a call option or the Holder of a put options; and

“Writer” an HKCC Participant which holds a short option position.

CONTRACT SPECIFICATIONS

003 The terms and conditions for each Currency Options Contract shall include, among other things:

- (a) Commission Rate;
- (b) Contract Months;
- (c) Contract Size;
- (d) Contracted Value;
- (e) Exercise Style;
- (f) Expiry Day;
- (g) Final Settlement Day;
- (h) Large Open Positions;
- (i) Minimum Fluctuation;
- (j) Official Settlement Price;
- (k) Option Premium;
- (l) Position Limits;
- (m) Price Quotation;
- (n) Settlement on Exercise;
- (o) Strike Price;
- (p) Tick Value;
- (q) Trading Hours; and
- (r) Trading Method.

004 Contract Specifications for Currency Options Contracts may be changed from time to time by the Board in consultation with the Commission. Exchange Participants shall be given notice of a change in the Contract Specifications prior to implementation of the change.

TRADING

005 Bids and offers for Currency Options Contracts shall be expressed in terms of a number in multiples of the Minimum Fluctuation. The Minimum Fluctuation shall be as prescribed in the Contract Specifications from time to time.

006 Trading in Currency Options Contracts shall be carried out through HKATS in accordance with the Rules, these Regulations and the applicable Procedures.

007 The Currency Options Market shall be open for trading in Currency Options Contracts on every Hong Kong Business Day subject to the Exchange Rules. Trading hours shall be as prescribed by the Board from time to time.

008 Subject to the Exchange Rules, trading in Currency Options Contracts shall cease at the close of trading hours on the applicable Expiry Day or at such other times as specified by the Board.

009 All disputes as to bids, offers, acceptances or withdrawals during trading sessions shall be governed by the Exchange Rules.

OFFICIAL SETTLEMENT PRICE

010 The Exchange shall, in conjunction with the Clearing House, announce the Official Settlement Price as soon as practicable after it has been determined.

011 Subject to Regulation 012, the Official Settlement Price of a Currency Options Contract shall be determined by the Clearing House in accordance with the Contract Specifications.

012 If, in the opinion of the Chief Executive, circumstances are developing or have developed which are capable of preventing the calculation of an Official Settlement Price, or which may render an Official Settlement Price unrepresentative of the level of exchange rate of the underlying currency at the close of trading on the Expiry Day, then the Chief Executive, after consultation with the Commission, may either on his own or in conjunction with the Clearing House take such steps as he deems appropriate to enable the Official Settlement Price to be determined.

CASH SETTLEMENT ON EXERCISE

013 The obligations and rights of the Holder and the Writer under a Currency Options Contract which is a cash settled contract are as specified in Regulations 014 to 017.

014 The Holder of a Call Option shall have the following rights in respect of each Call Option held:

(a) if, on the relevant Expiry Day, the Strike Price of the Call Option is less than the Official Settlement Price, the option shall be deemed to be exercised by the Holder.

The Holder shall be entitled to receive the Final Settlement Value from the Clearing House, which shall be equal to the difference between the Official Settlement Price and the Strike Price of the Call Option, multiplied by the Tick Value and divided by the Minimum Fluctuation; or

(b) if, on the relevant Expiry Day, the Strike Price of the Call Option is greater than, or equal to, the Official Settlement Price, then the option shall be deemed to have expired worthless.

015 The Writer of a Call Option shall have the following obligations in respect of each Call Option written:

(a) if, on the relevant Expiry Day, the Strike Price of the Call Option is less than

the Official Settlement Price, the Writer shall pay to the Clearing House the Final Settlement Value, which shall be equal to the difference between the Official Settlement Price and the Strike Price of the Call Option, multiplied by the Tick Value and divided by the Minimum Fluctuation; or

(b) if, on the relevant Expiry Day, the Strike Price of the Call Option is greater than, or equal to, the Official Settlement Price, the Call Option shall be deemed to have expired worthless and the Writer shall have no further obligation in respect of that option.

016 The Holder of a Put Option shall have the following rights in respect of each Put Option held:

(a) if, on the relevant Expiry Day, the Strike Price of the Put Option is greater than the Official Settlement Price, the option shall be deemed to be exercised by the Holder.

The Holder shall be entitled to receive the Final Settlement Value from the Clearing House, which shall be equal to the difference between the Strike Price of the Put Option and the Official Settlement Price, multiplied by the Tick Value and divided by the Minimum Fluctuation; or

(b) if, on the relevant Expiry Day, the Strike price of the Put Option is less than, or equal to, the Official Settlement Price, then the option shall be deemed to have expired worthless.

017 The Writer of a Put Option shall have the following obligations in respect of each Put Option written:

(a) if, on the relevant Expiry Day, the Strike Price of the Put Option is greater than the Official Settlement Price, the Writer shall pay to the Clearing House the Final Settlement Value, which shall be equal to the difference between the Strike Price of the Put Option and the Official Settlement Price, multiplied by the Tick Value and divided by the Minimum Fluctuation; or

(b) if, on the relevant Expiry Day, the Strike Price of the Put Option is less than, or equal to, the Official Settlement Price, the Put Option shall be deemed to have expired worthless and the Writer shall have no further obligation in respect of that option.

018 The Final Settlement Value shall be determined in accordance with the calculations specified in Regulations 014 to 017 above and all margin payments and variation adjustments made to, received from or owed to, the Clearing House prior to and including Expiry Day, shall be set off against the amount owing to or by the HKCC Participant.

019 All rights of a Holder and obligations of a Writer of Currency Options shall be satisfied by cash settlement by or with the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

PHYSICAL DELIVERY ON EXERCISE

020 The obligations and rights of the Holder and the Writer under a Currency Options Contract which is a Physical Delivery Contract are as specified in Regulations 021 to 024.

021 The Holder of a Call Option shall have the following obligations and rights in respect of each Call Option held:

(a) if, on the relevant Expiry Day, the Strike Price of the Call Option is less than the Official Settlement Price, the option shall be deemed to be exercised by the Holder.

The Holder shall be liable to pay to the Clearing House the Final Settlement Value in the Settlement Currency, which shall be equal to the Strike Price multiplied by the Contract Size and shall be entitled to receive the Underlying Currency of the Currency Options Contract according to the Contract Size; or

(b) if, on the relevant Expiry Day, the Strike Price of the Call Option is greater than, or equal to, the Official Settlement Price, then the option shall be deemed to have expired worthless.

022 The Writer of a Call Option shall have the following obligations and rights in respect of each Call Option written:

(a) if, on the relevant Expiry Day, the Strike Price of the Call Option is less than the Official Settlement Price, the Writer shall be liable to deliver to the Clearing House the Underlying Currency of the Currency Options Contract according to the Contract Size and shall be entitled to receive from the Clearing House the Final Settlement Value in the Settlement Currency, which shall be equal to the Strike Price multiplied by the Contract Size; or

(b) if, on the relevant Expiry Day, the Strike Price of the Call Option is greater than, or equal to, the Official Settlement Price, the Call Option shall be deemed to have expired worthless and the Writer shall have no further obligation in respect of that option.

023 The Holder of a Put Option shall have the following obligations and rights in respect of each Put Option held:

(a) if, on the relevant Expiry Day, the Strike Price of the Put Option is greater than the Official Settlement Price, the option shall be deemed to be exercised by the

Holder.

The Holder shall be liable to deliver to the Clearing House the Underlying Currency of the Currency Options Contract according to the Contract Size and shall be entitled to receive from the Clearing House the Final Settlement Value in the Settlement Currency, which shall be equal to the Strike Price multiplied by the Contract Size; or

(b) if, on the relevant Expiry Day, the Strike price of the Put Option is less than, or equal to, the Official Settlement Price, then the option shall be deemed to have expired worthless.

024 The Writer of a Put Option shall have the following obligations and rights in respect of each Put Option written:

(a) if, on the relevant Expiry Day, the Strike Price of the Put Option is greater than the Official Settlement Price, the Writer shall be liable to pay to the Clearing House the Final Settlement Value in the Settlement Currency, which shall be equal to the Strike Price multiplied by the Contract Size and shall be entitled to receive the Underlying Currency of the Currency Options Contract according to the Contract Size; or

(b) if, on the relevant Expiry Day, the Strike Price of the Put Option is less than, or equal to, the Official Settlement Price, the Put Option shall be deemed to have expired worthless and the Writer shall have no further obligation in respect of that option.

025 The Final Settlement Value shall be determined in accordance with the calculations specified in Regulations 021 to 024 above and all margin payments and variation adjustments made to, received from or owed to, the Clearing House prior to and including Expiry Day, shall be set off against the amount owing to or by the HKCC Participant.

026 All obligations and rights of a Holder and a Writer of Currency Options Contracts which is a Physical Delivery Contract shall be satisfied by delivery of the Underlying Currency or payment of the Final Settlement Value to or by the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

SETTLEMENT CURRENCY AND CONVERSION RATES

027 Where the currency in which a Currency Options Contract is traded is different from the Settlement Currency, the amount required to be settled by an Exchange Participant on the Final Settlement Day shall, where applicable, be converted to the Settlement Currency equivalent. The conversion rate to be applied shall be determined by the Clearing House in accordance with the Contract Specifications. If the rate is unobtainable, or circumstances have arisen or are threatened which will prevent the

determination of the conversion rate in accordance with the Contract Specifications, the Clearing House may, in its discretion, adjust or otherwise determine the conversion rate.

028 The Clearing House will promptly announce these rates after they are determined. Exchange Participants must use these rates for conversions at the Client account level.

REGISTRATION

029 All Exchange Participants trading in Currency Options Contracts shall comply with applicable Procedures. The Clearing House Rules shall govern the registration and clearing of Currency Options Contracts.

MARGIN AND VARIATION ADJUSTMENTS

030 Clearing House margin, additional margin and variation adjustments shall be set, collected or distributed in respect of Currency Options Contracts in the Settlement Currency in accordance with the Rules.

COMMISSION AND LEVIES

031 (a) The rate of commission for each Currency Options Contract shall be negotiable between an Exchange Participant and its Client.

(b) Trading of Currency Options Contracts shall be subject to an Exchange fee which shall become immediately payable to the Exchange upon registration of each Contract with the Clearing House. The Exchange fee shall be paid to the Exchange through the Clearing House and shall be set by the Board from time to time.

(c) Any levies required to be paid pursuant to the Ordinance or the Contract Specifications in consequence of trading in Currency Options Contracts shall be paid to the Exchange through the Clearing House in such manner as the Exchange shall, in consultation with the Commission, prescribe from time to time.

PAYMENT OF OPTION PREMIUM AND CLIENT ACCOUNTS

032 A Client may, subject to the Rules, open and maintain with an Exchange Participant one of two types of account with respect to trading options. The two available account types are:

(a) a Client cash account in which a Client may carry only long option positions in respect of which the full cash value of the Option Premium has been paid to the Exchange Participant on the day of the trade; and

(b) at the discretion of the Exchange Participant, a Client margin account in which a Client may carry both long and short option positions in respect of which the Client has paid the applicable margin in accordance with the Rules. Notwithstanding the foregoing, a Client margin account may be established only when the Exchange Participant employs a margining system or methodology approved by the Exchange.

Both types of accounts shall be opened and maintained in accordance with the Rules.

APPROVAL TO CONDUCT BUSINESS IN CURRENCY OPTIONS

033 (a) Exchange Participants must seek approval from the Exchange in order to trade any Currency Options Contracts.

(b) In respect of any Currency Options Contracts, the Exchange may, in its absolute discretion, grant or withhold such approval or grant its approval subject to such restrictions or conditions, or after granting such approval restrict or attach conditions, as it shall deem fit in view of the matters set out in sub-paragraph (c) and the decision of the Exchange shall be final and conclusive.

(c) In the exercise of its discretion, the Exchange will take into account whether an Exchange Participant:-

(i) is financially and operationally capable of fulfilling all obligations related to participation in the Currency Options Market;

(ii) has adequate internal control and risk management procedures in place; and

(iii) has installed the HKATS equipment to the satisfaction of the Exchange.

In applying for approval, every person shall follow the procedures prescribed by the Exchange from time to time.

DISCLAIMER

034 Every Exchange Participant shall ensure that prior to its accepting or carrying an account for trading in a Currency Options Market on behalf of any Client a disclaimer in the form prescribed by the Board from time to time is delivered to the Client.

DISCLOSURE REQUIREMENTS

- 035 No Exchange Participant may open or deal for an account trading Currency Options for a Client unless the Exchange Participant:
- (a) is approved by the Exchange to trade Currency Options; and
 - (b) is approved to conduct Client business.

NON-COMPLIANCE

- 036 An Exchange Participant which does not comply with these Regulations, the Rules and the applicable Procedures in any respect (including, without limitation, settlement with the Clearing House on the Final Settlement Day) shall be liable to disciplinary proceedings under the Exchange Rules.

LARGE OPEN POSITIONS

- 037 (a) The Board shall specify Large Open Positions in the Contract Specifications as provided for in the Exchange Rules.
- (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated Exchange staff as required by the Rules and the applicable Procedures.

POSITION LIMITS

- 038 (a) The Chief Executive may impose Position Limits on Exchange Participants and their Clients as provided for in the Rules and such Position Limits shall be specified in the Contract Specifications.
- (b) Subject to Exchange Rules 629(e) and 630(e), the Chief Executive may, on a case-by-case basis, increase, decrease or remove the Position Limits imposed pursuant to the Rules by giving notice in writing to the Clearing House, the Exchange Participant and the Commission.
- (c) The Chief Executive shall not be required to give any reasons for his decision to increase, decrease or remove the Position Limits pursuant to the Rules.
- (d) Failure to comply with the Position Limits is governed by the Rules.
- (e) Subject to Exchange Rules 629(e) and 630(e), the Chief Executive may approve higher Position Limits for liquidity providers.

Note: The Commission may also impose contract limits under the Ordinance.

MAXIMUM FLUCTUATION

039 The Chief Executive, after consultation with the Commission and the Board, may from time to time, specify a Maximum Fluctuation. Whenever a Maximum Fluctuation has been specified, trading can only occur at prices within the limit of the Closing Quotation from the last trading session or a reference price specified by the Exchange, plus or minus the Maximum Fluctuation.

SHORT OPTION POSITION RESTRICTIONS

040 The Board reserves the right to prohibit or restrict Exchange Participants from carrying short option positions in the Exchange Participant's own accounts or in the accounts of their Clients.

LIQUIDITY PROVISION

041 Notwithstanding anything contained in the Rules, the Exchange may from time to time, in its absolute discretion, appoint Exchange Participants to provide liquidity for Currency Options Contracts in the Currency Options 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.