

Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

CHAPTER VIII

TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS

Execution of Block Trades

815. Exchange Participants may execute orders as a Block Trade provided that they are executed in the prescribed manner and the criteria laid down in Rule 815A and such other criteria as may be prescribed by the Board and notified to Exchange Participants from time to time are satisfied. Any Block Trade which is not executed in the prescribed manner or does not satisfy any prescribed criteria will not be considered as a valid trade by the Exchange and will not be registered or cleared by the Clearing House.

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

(1) Block Trade Contracts

A Block Trade may be transacted only in Block Trade Contracts designated by the Board and notified to Exchange Participants from time to time.

(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:

Exchange Contract	Minimum Volume Threshold (no. of contracts)
Stock Index Futures	100
Stock Index Options	100
Stock Futures	100
Options on Stock Futures	100
HIBOR Futures (other than HIBOR strips)	80*
HIBOR strips	20
EFN Futures	200

** For a single order involving a spread or a strategy combination except HIBOR strips, at least one of the legs of the spread or combination must meet the Minimum Volume Threshold.*

(2A) Block Trade Order Aggregation

An Exchange Participant cannot aggregate separate orders or combine separate orders to generate a spread or strategy combination Block Trade unless:

- (a) at least one of the separate orders from either side meets the Minimum Volume Threshold; and
- (b) the Block Trade does not involve Futures Contracts only; and
- (c) in the case of a spread or strategy combination, at least one of the separate orders comprising an option leg satisfies the applicable Minimum Volume Threshold; and
- (d) authorizations have been received by the Exchange Participant from Clients whose orders are being aggregated or combined.

(3) Block Trade Order Entry

- (a) A Block Trade must be negotiated during the trading hours of the Block Trade Contract concerned and be executed immediately on HKATS via the Block Trade Facility in one of the following ways:

- (i) A Block Trade order entry by one Exchange Participant

A Block Trade which is negotiated internally between accounts of an Exchange Participant or negotiated between two Exchange Participants may be entered into HKATS by one Exchange Participant. When two Exchange Participants are involved, either one of the Exchange Participants shall be responsible for transferring to the other Exchange Participant its positions by way of trade adjustment in accordance with the Clearing House Rules, which require the transferring Exchange Participant or where applicable, its General Clearing Participant to inform the Clearing House of the trade adjustment request as soon as it has been confirmed by the receiving Exchange Participant or where applicable, its General Clearing Participant on DCASS.

- (ii) A Block Trade order entry by two Exchange Participants

A Block Trade which is negotiated between two Exchange Participants may be separately entered into HKATS by the respective buying and selling Exchange Participants. The time difference between the input of one side of a Block Trade and the input of the other side of the Block Trade must be within the prescribed time period as set forth in the HKATS User's Guide. Any Block Trade order entered into HKATS but not matched within the prescribed time period will be cancelled automatically.

- (b) Where a Block Trade involves a spread or strategy combination, each leg must be entered into the Block Trade Facility with such reference information and in such manner as may be specified by the Exchange from time to time.

815C. Without prejudice to the powers of the Board to prescribe additional Block Trade criteria under Rule 815, if the Chief Executive is of the opinion that any of the prescribed criteria are not properly followed by an Exchange Participant, including any improper aggregation of orders, or there are any other improper acts or practices in connection with any execution of Block Trades by the Exchange Participant, the Chief Executive may by notice to the Exchange Participant prohibit the Exchange Participant from using the Block Trade Facility or impose such restrictions or additional criteria as he may consider appropriate on its use. Any Block Trade which is executed in breach of such notice will not be considered as a valid trade by the Exchange and will not be registered or cleared by the Clearing House.