

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:-

- “THM” means the Trading Halt Mechanism imposed by the Exchange on the THM Exchange Contracts for the purpose of safeguarding market integrity from extreme price volatility, as referred to in Rule 829;
- “THM Exchange Contract” means an Exchange Contract with such Contract Month as may be prescribed by the Exchange to be subject to the THM;
- “THM percentage” means the percentage, as prescribed by the Exchange from time to time, for the purpose of calculating the price limits referred to in Rule 829(3);
- “THM Reference Contract” means an Exchange Contract with such Contract Month as may be prescribed by the Exchange, with reference to which a THM Exchange Contract shall be made in determining whether a trading halt in that THM Exchange Contract will be triggered;
- “THM Reference Contract Order” means an order for a THM Reference Contract other than an order for a (a) Tailor Made Combination; (b) spread or strategy combination listed in the “Series/Combination” window of HKATS (provided that a Bait Order generated automatically shall be included as a THM Reference Contract Order); and (c) Block Trade;
- “THM reference price” means the reference price, as prescribed by the Exchange from time to time, for the purpose of calculating the price limits referred to in Rule 829(3);

CHAPTER VIII

TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS

Trading Halt Mechanism

829. (1) Notwithstanding Rule 901, the Exchange may impose a THM on selected Exchange Contracts during the T+1 Session. Unless otherwise determined by the Exchange, the operation of the THM in relation to a THM Exchange Contract involves a suspension of trading in the THM Exchange Contract upon the occurrence of a trading halt triggering event as set out in Rule 829(4).
- (2) The Exchange may from time to time in its absolute discretion prescribe a list of THM Exchange Contracts which are subject to the THM and amend such list by adding to or removing from the list any THM Exchange Contracts. The Exchange will designate a THM Reference Contract for each THM Exchange Contract and may from time to time change any THM Reference Contract.
- (3) For the purposes of Rule 829(4), unless otherwise determined by the Exchange,
- (a) the upper price limit means the price which is the THM percentage above the THM reference price; and
 - (b) the lower price limit means the price which is the THM percentage below the THM reference price.
- (4) During the T+1 Session, a trading halt will be triggered in respect of a THM Exchange Contract if,
- (a) the price of a THM Reference Contract Order which is the highest bid on the buying queues for the respective THM Reference Contract reaches the upper price limit; or
 - (b) the price of a THM Reference Contract Order which is the lowest ask on the selling queues for the respective THM Reference Contract reaches the lower price limit.
- (5) A trading halt shall commence immediately upon being triggered and shall last until whichever is the earlier of (a) the end of the duration prescribed by the Exchange; or (b) the end of the T+1 Session.
- (6) During a trading halt in respect of a THM Exchange Contract, unless otherwise determined by the Exchange,
- (a) no order for the relevant THM Exchange Contract shall be input into HKATS;

- (b) an order for the relevant THM Exchange Contract, including the remaining unmatched part of such order, may be cancelled or amended only in connection with a reduction in size, a change in the duration of validity, a modification of optional (“free”) text information or such other changes as may be permitted by the Exchange from time to time; and
- (c) all orders for the relevant THM Exchange Contract on any buying or selling queues not cancelled in accordance with Rule 829(6)(b), including the remaining unmatched part of such orders, will remain in HKATS but will not be matched.

APPENDIX B - FEES

Description	Amount ¹
<i>Exchange trading fees</i>	
HSI Options	House/Client a/c 10.00/Lot MM a/c 2.00/Lot MM in Mini-HSI Futures or Mini-HSI Options ² 3.50/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant
Mini-HSI Options	House/Client a/c 2.00/Lot MM a/c 0.40/Lot MM in HSI Options or Mini-HSI Futures ² 0.70/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant
HSCEI Options	House/Client a/c 3.50/Lot MM a/c 0.50/Lot MM in HSCEI Futures or Mini-HSCEI Options ² 1.00/Lot or such lesser amount as the Exchange may from time to time agree with the relevant Exchange Participant

¹ Unless otherwise specified, the amounts listed in this appendix are in HK dollars

² The number of contracts that are eligible for a reduced Exchange Fee may be limited as specified in the Procedures relating to Stock Index Futures and Stock Index Options contained in these Rules

Trading Hours on Expiry Day (Hong Kong time) 9:15 a.m. – 12:00 noon (morning trading session)
1:00 p.m. – 4:00 p.m. (afternoon trading session)

There shall be no afternoon or after-hours trading session if the Expiry Day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve

Contract Specifications for Hang Seng China Enterprises Index (HSCEI) Options

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

Trading Hours (Hong Kong time) 9:15 a.m. – 12:00 noon (morning trading session)
1:00 p.m. – 4:30 p.m. (afternoon trading session)
5:15 p.m. – 1:00 a.m. (after-hours trading session)

There is no afternoon or after-hours trading session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m.

There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.

Trading Hours on Expiry Day (Hong Kong time) 9:15 a.m. – 12:00 noon (morning trading session)
1:00 p.m. – 4:00 p.m. (afternoon trading session)

There shall be no afternoon or after-hours trading session if the Expiry Day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve

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

CHAPTER 3

MARKET MAKERS IN STOCK INDEX FUTURES AND STOCK INDEX OPTIONS CONTRACTS

3.1 Application for a Market Maker Permit

The Exchange may appoint a Market Maker as a Regular Market Maker or a Primary Market Maker in a Stock Index Futures or Stock Index Options Contract for the T Session and/or the T+1 Session.

3.1.1 Application for a Regular Market Maker Permit for the T Session and/or the T+1 Session

An Exchange Participant may apply for a Regular Market Maker permit in a Stock Index Futures Contract and/or a Stock Index Options Contract for the T Session and/or the T+1 Session by submitting a written application to the Exchange in accordance with any procedures set out in Rule 11A03.

3.1.2 Application for a Primary Market Maker Permit for the T Session and/or the T+1 Session

Only Exchange Participants who hold a Regular Market Maker permit may apply to become a Primary Market Maker for the T Session and/or the T+1 Session. The Exchange may, from time to time by email or circular, invite Regular Market Makers to apply for a Primary Market Maker permit in a Stock Index Futures Contract and/or a Stock Index Options Contract. An Exchange Participant may submit its application by following the requirements set out in such invitation.

The Chief Executive has the sole discretion to determine the total number of Primary Market Makers that may be appointed for each Market and each of the T Session and the T+1 Session from time to time. If the number of applicants exceeds the total number determined by the Chief Executive, Exchange Participants may be required to undergo a bidding process in accordance with such procedures or requirements as may be specified by the Exchange. In considering whether a Primary Market Maker permit should be granted, the Chief Executive may give regard to such matters as he may in his absolute discretion consider to be appropriate, including Exchange Participants’ market making commitment levels in terms of bid and offer spread and size of quote, and any other evaluation criteria that may be specified by the Exchange as part of the bidding process. Before appointing a Market Maker as a Primary Market Maker, the Exchange will also require the Exchange Participant to sign and agree to be bound by an appointment letter, which

sets forth, among other things, the terms and conditions under which it is appointed as a Primary Market Maker and the market making obligations of the Exchange Participant as a Primary Market Maker, which may vary from one Primary Market Maker to another.

An Exchange Participant whose application has been approved or which is successful in the relevant Primary Market Maker bidding process will be granted a Primary Market Maker permit in respect of each Market and trading session(s) for which it is permitted to make a market.

The duration of each Primary Market Maker permit may vary from one permit to another. The period for which a Primary Market Maker permit may be granted will be specified in the Exchange Participant's appointment letter and, unless otherwise approved by the Chief Executive, will not be automatically renewed.

3.1.3 Granting and revocation of a Market Maker Permit

The decision of the Chief Executive in respect of the approval or rejection in whole or in part of an application or a bid to become a Primary Market Maker or Regular Market Maker in any particular Market(s) and any trading session shall be final and conclusive.

Upon granting a Market Maker permit in a Stock Index Futures Contract and any subsequent approval thereunder, the Exchange shall assign the Market Maker (itself if applicable and each of its market making arrangements if any) with (i) not less than two (2) contract months in the Stock Index Futures Contract (i.e. Spot Month and the next calendar month, unless otherwise specified by the Exchange) if it is a Regular Market Maker for the T Session and/or the T+1 Session; and/or (ii) such number of contract months as may be specified in its appointment letter if it is a Primary Market Maker for either the T Session or the T+1 Session.

Upon granting a Market Maker permit in a Stock Index Options Contract and any subsequent approval thereunder, the Exchange shall assign the Market Maker (itself if applicable and each of its market making arrangements if any) with (i) not less than fifty (50) option series in the Stock Index Options Contract if it is not a Mini Contract and not less than twenty-five (25) option series if it is a Mini Contract, to be determined by the Exchange from time to time, if it is a Regular Market Maker for the T Session and/or the T+1 Session; and/or (ii) such number of option series as may be specified in its appointment letter if it is a Primary Market Maker for either the T Session or the T+1 Session. In the case of a Stock Index Options Contract with both Short-dated and Long-dated Options, only option series in Short-dated Options will be assigned. A Market Maker permit shall not be applicable to Flexible Options and accordingly all obligations and procedures relating to any market making requirements shall not apply.

The Exchange may, at the absolute discretion of the Chief Executive, revoke a Market Maker permit in a Stock Index Futures Contract and/or a

Stock Index Options Contract or any market making arrangement or other approval granted thereunder if it does not meet the market making requirements set forth in procedures 3.2.1, 3.2.2 and/or 3.2.2A and, in the case of a Primary Market Maker, in procedure 3.2.3 and/or its appointment letter for two (2) consecutive calendar months.

3.2 *Market Making Requirements of a Market Maker*

3.2.1 Market Making Requirements of a Regular Market Maker for the T Session and/or the T+1 Session in a Stock Index Futures Contract

3.2.2 Market Making Requirements of a Regular Market Maker in a Stock Index Options Contract for the T Session

3.2.2.1 A Regular Market Maker in a Stock Index Options Contract for the T Session must either respond to Quote Requests or provide continuous Quotes during the T Session. The Exchange Participant shall notify the Exchange of the Regular Market Maker's election(s).

3.2.2.2 Responding to Quote Requests during the T Session

If a Regular Market Maker in a Stock Index Options Contract for the T Session elects to respond to Quote Requests, it shall:

3.2.2.2.1 respond to not less than seventy (70) percent of the Quote Requests in the Stock Index Options Contract in the T Session of each calendar month;

3.2.2.3 Providing Continuous Quotes during the T Session

If a Regular Market Maker in a Stock Index Options Contract for the T Session elects to provide continuous Quotes, it shall:

3.2.2.3.1 quote the assigned option series in the Stock Index Options Contract during not less than seventy (70) percent of the trading hours of such Stock Index Options Contract in the T Session of each calendar month;

3.2.2.3.2 display on HKATS all Quotes made on the assigned option series in the Stock Index Options Contract for not less than twenty (20) seconds and (i) in respect of a Stock Index Options Contract which is not a Mini Contract, for a size of not fewer than five (5) contracts for the first four calendar month contracts and for a size of not fewer than three (3) contracts for the subsequent three calendar quarter month contracts; and (ii) in respect of a Stock Index Options Contract which is a Mini Contract, for a size of not fewer than five (5) contracts for the first two calendar month contracts and not fewer than three (3) contracts for the subsequent

two calendar quarter month contracts, unless a change in the price level of the Stock Index Futures Contract with the same underlying index occurs during the twenty (20) second display period, in which case, the Regular Market Maker may change its Quotes provided the new Quotes shall be subject to the same display, spread and size requirements as specified in this procedure 3.2.2.3 for the original Quotes;

3.2.2A Market Making Requirements of a Regular Market Maker in a Stock Index Options Contract for the T+1 Session

3.2.2A.1 A Regular Market Maker in a Stock Index Options Contract for the T+1 Session must either respond to Quote Requests or provide continuous Quotes during the T+1 Session. The Exchange Participant shall notify the Exchange of the Regular Market Maker's election(s).

3.2.2A.2 Responding to Quote Requests during the T+1 Session

If a Regular Market Maker in a Stock Index Options Contract for the T+1 Session elects to respond to Quote Requests, it shall:

3.2.2A.2.1 respond to not less than thirty five (35) percent of the Quote Requests in the Stock Index Options Contract in the T+1 Session of each calendar month;

3.2.2A.2.2 respond to a Quote Request in the Stock Index Options Contract within twenty (20) seconds of the Quote Request's display on HKATS;

3.2.2A.2.3 display on HKATS a Quote made in response to a Quote Request for not fewer than twenty (20) seconds and (a) in respect of a Stock Index Options Contract which is not a Mini Contract, for a size of not fewer than three (3) contracts for the first four calendar month contracts and not fewer than two (2) contracts for the subsequent three calendar quarter month contracts; and (b) for a Stock Index Options Contract which is a Mini Contract, for a size of not fewer than three (3) contracts for the first two calendar month contracts and not fewer than two (2) contracts for the subsequent two calendar quarter month contracts, unless a change in the price level of the Spot Month Stock Index Futures Contract with the same underlying stock index occurs during the twenty (20) second display period, in which case, the Regular Market Maker may change its Quote provided the new Quote shall be subject to the same display, spread and size requirements as specified in this procedure 3.2.2A.2 for the original Quote; and

3.2.2A.2.4 quote the Stock Index Options Contract with a bid/offer spread of not greater than:

For a Stock Index Options Contract which is not a Mini Contract:

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1 st to 4 th calendar months	1 – 750 points	40 points or 20% of bid price, whichever is higher
	751 points or more	150 points
1 st and 2 nd calendar quarter months following the 4 th calendar month	1 – 750 points	60 points or 30% of bid price, whichever is higher
	751 points or more	225 points
3 rd calendar quarter month following the 4 th calendar month	1 – 750 points	80 points or 40% of bid price, whichever is higher
	751 points or more	300 points

For a Stock Index Options Contract which is a Mini Contract:

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1 st and 2 nd calendar months	1 – 750 points	40 points or 20% of bid price, whichever is higher
	751 points or more	150 points
1 st and 2 nd calendar quarter months following the 2 nd calendar month	1 – 750 points	60 points or 30% of bid price, whichever is higher
	751 points or more	225 points

3.2.2A.3 Providing Continuous Quotes during the T+1 Session

If a Regular Market Maker in a Stock Index Options Contract for the T+1 Session elects to provide continuous Quotes, it shall:

3.2.2A.3.1 quote at least (i) in respect of a Stock Index Options Contract which is not a Mini Contract, 40 option series out of the assigned option series in the Stock Index Options Contract during not less than thirty five (35) percent of the trading hours of such Stock Index Options Contract in the T+1 Session of each calendar month; and (ii) in respect of a Stock Index Options Contract which is a Mini Contract, at least 20 option series out of the assigned option series in the Stock Index Options Contract during not less than thirty five (35) percent of the trading hours of such Stock Index Options Contract in the T+1 Session of each calendar month;

3.2.2A.3.2 display on HKATS all Quotes made on the assigned option series in the Stock Index Options Contract for not less than twenty (20) seconds and (a) in respect of a Stock Index Options Contract which is not a Mini Contract, for a size of not fewer than three (3) contracts for the first four calendar month contracts and for a size of not fewer than two (2) contracts for the subsequent three calendar quarter month contracts; and (b) in respect of a Stock Index Options Contract which is a Mini Contract, for a size of not fewer than three (3) contracts for the first two calendar month contracts and not fewer than two (2) contracts for the subsequent two calendar quarter month contracts, unless a change in the price level of the Stock Index Futures Contract with the same underlying index occurs during the twenty (20) second display period, in which case, the Regular Market Maker may change its Quotes provided the new Quotes shall be subject to the same display, spread and size requirements as specified in this procedure 3.2.2A.3 for the original Quotes; and

3.2.2A.3.3 quote the assigned option series in the Stock Index Options Contract with a bid/offer spread of not greater than:

For a Stock Index Options Contract which is not a Mini Contract:

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1 st to 4 th calendar months	1 – 750 points	40 points or 20% of bid price, whichever is higher
	751 points or more	150 points
1 st and 2 nd calendar quarter months following the 4 th calendar month	1 – 750 points	60 points or 30% of bid price, whichever is higher
	751 points or more	225 points
3 rd calendar quarter month following the 4 th calendar month	1 – 750 points	80 points or 40% of bid price, whichever is higher
	751 points or more	300 points

For a Stock Index Options Contract which is a Mini Contract:

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1 st and 2 nd calendar months	1 – 750 points	40 points or 20% of bid price, whichever is higher
	751 points or more	150 points
1 st and 2 nd calendar quarter months following the 2 nd calendar month	1 – 750 points	60 points or 30% of bid price, whichever is higher
	751 points or more	225 points

3.2.3 Market Making Requirements of a Primary Market Maker in a Stock Index Futures Contract or Stock Index Options Contract for the T Session and/or the T+1 Session

3.2.3.1 Each Primary Market Maker shall, in respect of each contract month or option series assigned to it in a Stock Index Futures Contract or Stock Index Options Contract for which it is appointed a Primary Market Maker and during each relevant trading session:

3.2.3.1.1 provide continuous Quotes through HKATS: (i) for no less than such percentage of trading hours, (ii) for no less than such number of contracts, (iii) for no less than such display period, and (iv) within such bid/offer spread, in each case as may be specified in its appointment letter; and

3.2.3.1.2 respond to Quote Requests by (i) responding to not less than such percentage of Quote Requests, (ii) responding within such time period following a Quote Request's display on HKATS, (iii) displaying each Quote on HKATS for not less than such period of time and for not less than such number of contracts, and (iv) quoting within such bid/offer spread, in each case as may be specified in its appointment letter.

3.2.3.2 [Repealed]

3.3 *Market Maker Incentives*

A Market Maker in a Stock Index Futures Contract or a Stock Index Options Contract (other than a Regular Market Maker in a Stock Index Options Contract for the T+1 Session) shall be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in the Stock Index Futures Contract or the Stock Index Options Contract.

A Regular Market Maker in a Stock Index Options Contract for the T+1 Session shall be entitled to pay a reduced Exchange Fee of an amount as prescribed by the Exchange from time to time on transactions effected in Stock Index Options Contracts during the T+1 Session if it satisfies the market making requirements applicable to the corresponding incentive tier:

Incentive tier	If the Regular Market Maker elects to respond to a Quote Requests and fulfills the following Quote Requests response percentage:	If the Regular Market Maker elects to provide continuous Quotes and fulfills the following percentage of trading hours coverage for the assigned option series below in the Stock Index Options Contract:			
		For a Stock Index Options Contract which is not a Mini Contract:		For a Stock Index Options Contract which is a Mini Contract:	
		Percentage of trading hours coverage	Assigned option series	Percentage of trading hours coverage	Assigned option series
1	70%	70%	50	70%	25
2	50%	50%	40	50%	20
3	35%	35%	40	35%	20

A Market Maker in a Stock Index Futures Contract or a Stock Index Options Contract shall also be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in other Stock Index Futures Contracts and Stock Index Options Contracts with the same underlying index, provided that (i) the total number of other Stock Index Futures Contracts and Stock Index Options Contracts eligible for reduced Exchange Fees in any calendar month shall not exceed the volume of the Stock Index Futures Contract or the Stock Index Options Contract traded by the Market Maker in its capacity as such in that calendar month; (ii) for Market Makers in the Mini-Hang Seng Index Futures Contract or the Mini-Hang Seng Index Option Contract, the number of other eligible transactions in the Hang Seng Index Futures Contract and the Hang Seng Index Option Contract shall be multiplied by one-fifth; (iii) for Market Makers in the Hang Seng Index Option Contract, the number of other eligible transactions in the Mini-Hang Seng Index Futures Contract and the Mini-Hang Seng Index Option Contract shall be multiplied by five; (iv) for Market Makers in the Hang Seng China Enterprises Index Futures Contract or the Hang Seng China Enterprises Index Option Contract, the number of other eligible transactions in the Mini-Hang Seng China Enterprises Index Futures Contract and the Mini-Hang Seng China Enterprises Index Option Contract shall be multiplied by five; and (v) for Market Makers in the Mini-Hang Seng China Enterprises Index Futures Contract or the Mini-Hang Seng China Enterprises Index Option Contract, the number of other eligible transactions in the Hang Seng China Enterprises Index Futures Contract and the Hang Seng China Enterprises Index Option Contract shall be multiplied by one-fifth.

For the avoidance of doubt, since Market Maker permits are not applicable to option series in Flexible Options, Market Makers are not entitled to nor eligible for reduced Exchange Fees on transactions effected in any Flexible Options by a Market Maker.

Unless otherwise determined by the Chief Executive, a Market Maker shall be entitled to the above Market Maker Incentives only if it satisfies the applicable market making requirements set forth in procedures 3.2.1, 3.2.2 and/or 3.2.2A and, in the case of a Primary Market Maker, in procedure 3.2.3 and/or its appointment letter. Without prejudice to any powers or rights of the Exchange or the Chief Executive, if a Market Maker in a Stock Index Futures Contract and/or a Stock Index Options Contract does not meet the prescribed market making requirements for a calendar month, the Exchange reserves the right to charge, at the absolute discretion of the Chief Executive, such Market Maker Exchange Fees at the full rate as specified in the respective Contract Specifications for all transactions effected in that calendar month for all products in respect of which reduced Exchange Fees have been provided for in this procedure.

CHAPTER 5

EMERGENCY AND EXTRAORDINARY SITUATIONS

5.1 *Typhoon Signals and Black Rainstorm Warnings*

5.1.1 Unless otherwise decided by the Exchange, the trading arrangements of Stock Index Futures Contracts and Stock Index Options Contracts with lunch break 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	
(vi) If a Typhoon Signal no. 8 or above is hoisted after the end of the afternoon trading session but before the commencement of the after-hours trading session ^(Note 2) :	The position will be as follows: - There will be no trading in the after-hours trading session.
(vii) If a Typhoon Signal no. 8 or above is hoisted during the after-hours trading session ^(Note 2) :	The position will be as follows: - Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the day.

Note 2: Applicable only to the trading of Stock Index Futures Contracts and Stock Index Options Contracts with after-hours trading session

(b) Trading arrangement for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning	
(iv) If a Black Rainstorm Warning is issued after the end of the afternoon trading session but before the commencement of the after-hours trading session ^(Note 2) :	The position will be as follows: - If there was trading in the afternoon trading session, trading in the after-hours trading session will take place. - If there was no trading in the afternoon trading session, there will be no trading in the after-hours trading session.
(v) If a Black Rainstorm Warning is issued during the after-hours trading session ^(Note 2) :	The position will be as follows: - Trading will continue as normal until the end of the after-hours trading session.

Note 2: Applicable only to the trading of Stock Index Futures Contracts and Stock Index Options Contracts with after-hours trading session