

## **CHAPTER VIII**

### **TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS**

#### **Regulations and Trading Limits**

801. The Board shall make Regulations governing trading in each of the Markets operated by the Exchange and, subject to such approvals as may be required under the Ordinance, such Regulations may be amended, supplemented, varied, modified or repealed, in whole or in part from time to time and new Regulations may be introduced by resolution of the Board.
802. Regulations may prescribe a range of permitted price fluctuations for each futures delivery month or option series. In the event that any such limit is reached, the Procedures applicable to the relevant Regulations shall be followed.

#### **Business Hours**

803. (deleted)
804. The trading hours of any Market shall be determined by the Board. The opening and closing of a Market and the establishment of the opening and closing quotation shall be conducted according to the procedures prescribed by the Board from time to time.
805. - 807. (deleted)

#### **General Conduct - HKATS**

- 807A. (a) HKATS is to be used exclusively for the execution of Exchange Contracts. HKATS may only be used in such manner and for such purposes as the Exchange may prescribe from time to time. Any unauthorised usage of HKATS is prohibited.
- (b) The Chief Executive may forbid any person (whether an Exchange Participant or not) from accessing or using HKATS and may suspend, revoke or limit such access or use, including but not limited to reducing the throughput rate of a connection to HKATS, for the purpose of ensuring the proper operation of the Markets operated thereunder. Any person who in the opinion of the Chief Executive is in breach of Rule 807A(a) may be prohibited from accessing or using HKATS or be allowed to access or use HKATS only on such terms, subject to such limits and for such period as the Chief Executive thinks fit.
- (c) Each Exchange Participant must at all times have arrangements in place to ensure that all orders transmitted to HKATS through its connection or any connection granted by the Exchange through the Exchange Participant are subject to Prescribed Risk Controls and other appropriate risk controls and functions.

### Place of Trading

808. Except as otherwise provided in the Rules, the Regulations, or the Procedures prescribed by the Board, all trading in Exchange Contracts must be confined to transactions made on or through the facilities of the Exchange during trading hours as the Exchange shall decide from time to time.

### No Trading Outside Hours

809. Except as otherwise provided in the Rules, the Regulations, or the Procedures prescribed by the Board, contracting to buy or sell Exchange Contracts prior to the opening or subsequent to the closing of the relevant Market is prohibited.

### Manner of Trading

810. Except as otherwise provided in the Rules, the Regulations, or the Procedures prescribed by the Board, all business relating to calls, bids, offers and the making of Exchange Contracts shall be conducted on HKATS or such other trading systems as the Board shall specify.

### Language of Trading

811. The language for transacting business in any Market shall be that as prescribed by the Exchange.

812. - 813. (deleted)

### Taking the Opposite Side of a Client Order

814. No Exchange Participant shall knowingly take the opposite side of an order of a Client given to it for execution unless all the following requirements are met:-
- (a) the Client has given prior consent in writing to such transactions; and
  - (b) the trade has been bid, offered and reported in the manner laid down in the Procedures prescribed by the Board from time to time.

### Execution of Block Trades

815. Exchange Participants may execute orders as a Block Trade provided that they are executed in such manner and within such trading hours or other time, and satisfy 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. Any Block Trade which is not so executed 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:

<b>Exchange Contract</b>	<b>Minimum Volume Threshold <sup>Note 3</sup> (no. of contracts)</b>
Stock Index Futures (unless otherwise specified in this table)	100
Hang Seng Index (HSI) Futures	
- first 4 Contract Months	100
- after the first 4 Contract Months	50
Hang Seng China Enterprises Index (HSCEI) Futures	
- first 4 Contract Months	100
- after the first 4 Contract Months	50
Hang Seng TECH Index Futures	50
Hang Seng TECH Index Futures Options	50
Hang Seng TECH Index Options	50
Weekly Hang Seng TECH Index Options	50
MSCI AC Asia ex Japan Net Total Return Index Futures	50
MSCI Australia Net Total Return (USD) Index Futures	25
MSCI China A 50 Connect (USD) Index Futures	25
MSCI China (USD) Index Futures	50
MSCI China Net Total Return (USD) Index Futures	25
MSCI Emerging Markets (USD) Index Futures	50
MSCI Emerging Markets Asia ex China Net Total Return (USD) Index Futures	25
MSCI Emerging Markets Asia ex Korea Net Total Return (USD)	25

Index Futures	
MSCI Emerging Markets Asia Net Total Return (USD) Index Futures	25
MSCI Emerging Markets EMEA Net Total Return (USD) Index Futures	25
MSCI Emerging Markets ex China Net Total Return (USD) Index Futures	25
MSCI Emerging Markets ex Korea Net Total Return (USD) Index Futures	25
MSCI Emerging Markets Latin America Net Total Return (USD) Index Futures	25
MSCI Emerging Markets Net Total Return (USD) Index Futures	25
MSCI Hong Kong Net Total Return (USD) Index Futures	25
MSCI India (USD) Index Futures	25
MSCI India Net Total Return (USD) Index Futures	25
MSCI Indonesia (USD) Index Futures	50
MSCI Indonesia Net Total Return (USD) Index Futures	25
MSCI Japan Net Total Return (USD) Index Futures	25
MSCI Malaysia (USD) Index Futures	50
MSCI Malaysia Net Total Return (USD) Index Futures	25
MSCI New Zealand Net Total Return (USD) Index Futures	25
MSCI Pacific ex Japan Net Total Return (USD) Index Futures	25
MSCI Pacific Net Total Return (USD) Index Futures	25
MSCI Philippines (USD) Index Futures	50
MSCI Philippines Net Total Return (USD) Index Futures	25
MSCI Singapore Free (SGD) Index Futures	50
MSCI Singapore Free Net Total Return (USD) Index Futures	25
MSCI Singapore Net Total Return (USD) Index Futures	25
MSCI Taiwan (USD) Index Futures	50

MSCI Taiwan (USD) Index Options	50
MSCI Taiwan Net Total Return (USD) Index Futures	25
MSCI Taiwan 25/50 (USD) Index Futures	50
MSCI Taiwan 25/50 Net Total Return (USD) Index Futures	25
MSCI Thailand (USD) Index Futures	50
MSCI Thailand Net Total Return (USD) Index Futures	25
MSCI Vietnam (USD) Index Futures	50
MSCI Vietnam Net Total Return (USD) Index Futures	25
Hang Seng Index (Gross Total Return Index) Futures	10
Hang Seng Index (Net Total Return Index) Futures	10
Hang Seng China Enterprises Index (Gross Total Return Index) Futures	30
Hang Seng China Enterprises Index (Net Total Return Index) Futures	30
Stock Index Options (unless otherwise specified in this table) <sup>Note 2</sup>	100
Hang Seng Index (HSI) Options <sup>Note 2</sup> - first 4 Contract Months - after the first 4 Contract Months	100 50
Hang Seng China Enterprises Index (HSCEI) Options <sup>Note 2</sup> - first 4 Contract Months - after the first 4 Contract Months	100 50
Hang Seng Index Futures (HSIF) Options <sup>Note 2</sup> - first 4 Contract Months - after the first 4 Contract Months	100 50
Hang Seng China Enterprises Index Futures (HSCEIF) Options <sup>Note 2</sup> - first 4 Contract Months - after the first 4 Contract Months	100 50
Stock Futures	100
Options on Stock Futures	100
HIBOR Futures (other than HIBOR strips)	80 <sup>Note 1</sup>

HIBOR strips	20
Five-Year MOF T-Bond Futures	50
EFN Futures	200
Currency Futures (other than Mini USD/CNH Futures)	50
Mini USD/CNH Futures	100
Currency Options	50
USD Gold Futures	30
CNH Gold Futures	30
USD Silver Futures	30
CNH Silver Futures	30
CNH London Aluminium Mini Futures	50
CNH London Zinc Mini Futures	50
CNH London Copper Mini Futures	50
CNH London Nickel Mini Futures	50
CNH London Tin Mini Futures	50
CNH London Lead Mini Futures	50
USD London Aluminium Mini Futures	50
USD London Zinc Mini Futures	50
USD London Copper Mini Futures	50
USD London Nickel Mini Futures	50
USD London Tin Mini Futures	50
USD London Lead Mini Futures	50
TSI Iron Ore Fines 62% Fe CFR China Futures	50

*Note 1 For a single order involving a spread or a strategy combination except HIBOR strips, at least one of the legs of the spread or strategy combination must meet the Minimum Volume Threshold.*

*Note 2 For any order of Stock Index Options Contracts, all legs of a spread or a strategy combination that relate to Flexible Options must meet the Minimum Volume Threshold.*

*Note 3 Notwithstanding the provisions of Rule 815A(2A), for the purposes of determining whether the Minimum Volume Threshold is satisfied, two separate orders belonging to the Exchange Participant or the same Client relating to the same contract month or option series that are executed at two different prices via two separate legs under a strategy combination Block Trade will be considered as having satisfied the Minimum Volume Threshold if the aggregate of the two orders meets 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) (deleted)
- (b) in the case of a Block Trade which involves Futures Contracts only, each separate order comprising the Block Trade satisfies the applicable Minimum Volume Threshold; and
- (c) in the case of a spread or strategy combination which involves Futures Contracts and/or Option Contracts, at least one of the separate orders comprising an option leg satisfies the applicable Minimum Volume Threshold; and
- (d) in the case of Stock Index Options Contracts, all legs of a spread or a strategy combination that relate to Flexible Options must meet the Minimum Volume Threshold, and
- (e) authorizations have been received by the Exchange Participant from Clients whose orders are being aggregated or combined.

(3) Block Trade Order Entry

- (a) Unless otherwise prescribed by the Exchange, a Block Trade must 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.
- (c) Notwithstanding paragraph (a) of this Rule 815A(3) or any other provisions of Rule 815A, if an Exchange Participant is unable to enter orders for Block Trades negotiated during a trading session into HKATS in that trading session due to the suspension of trading in any Market, any failure, error, defect in, or unavailability of, HKATS or any other contingencies, or if any such contingencies render it necessary for an Exchange Participant to negotiate and enter into Block Trades for the purpose of mitigating its risks arising from such contingencies and not any other purpose, the Chief Executive may by notice to Exchange Participants allow Exchange Participants to enter orders for such Block Trades into HKATS in the next available trading session or during such other time as the Chief Executive may determine, and may relax any of the Block Trade criteria, including but not limited to the lowering of the applicable Minimum Volume Thresholds, the expansion of the price parameters within which a Block Trade must be executed and the use of such other reference price as may be determined by the Chief Executive for determining the price parameters.

(4) (deleted)

(5) Execution Price

The price at which a Block Trade is executed must be fair and reasonable. Price parameters and factors which may be taken into consideration when determining whether a price is fair and reasonable will be prescribed by the Board and notified to Exchange Participants from time to time. At all times, the Board has the absolute discretion to accept or reject an executed price for a Block Trade, and that determination shall be final and conclusive.

A Special Block Trade Margin may be required from an Exchange Participant if the executed price of a Block Trade is not considered fair and reasonable, if a significant deviation exists between the executed price and the prevailing market price or the theoretical price determined by the Clearing House, or if the Block Trade is executed at such a price that an intra-day variation adjustment would have been triggered had the trade been executed or as if it has been executed as a normal trade in the Central Orderbook.



The price at which a Block Trade is executed will not be used in establishing the day-high, day-low, last traded price, Closing Quotation, and where applicable, the Final Settlement Price or Official Settlement Price of an Exchange Contract. The quantity of a Block Trade will be taken into account in the updating of the traded volume of an Exchange Contract.

- 815B. Each Exchange Participant shall have in place a telephone recording system or an electronic communication system to record all Block Trade orders received and all confirmations of executed Block Trades provided. Each Exchange Participant shall ensure that such telephone recordings or records are maintained for at least 6 months.
- 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.
- 815D. All orders of Stock Index Options Contracts that are Flexible Options must be entered into HKATS through the Block Trade Facility. With the exception of those falling into a specified price or price ranges set forth in Rule 815 A(5), all orders must be executed in the prescribed manner and meet 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.

816. (deleted)

#### No Disclosure of Orders

817. No disclosure shall be made other than to designated HKEX staff or the Commission, if so required, of any orders to buy or to sell in hand and pending for execution. The giving of information for the purposes of quoting a bid or offer shall not be considered a violation of this Rule.

#### Prohibition of Pre-Arranged Trades

818. An Exchange Participant shall not execute any trade or participate in any trade through HKATS which has been pre-arranged. Notwithstanding the foregoing, an Exchange Participant may execute a Block Trade provided that it is executed in the manner and satisfies the criteria laid down in the Rules and Procedures prescribed by the Board from time to time.
819. - 819A. (deleted)

## Error Trades

819B. If a trade takes place on HKATS at a level which deviates from the price parameters from time to time established by the Exchange and notified to Exchange Participants (the “Price Parameters”), the Exchange will entertain any claim from an original party to the trade that the price was in error. Unless such claim forms part of a claim for Large-Scale Error Trades (having the meaning assigned to it in Rule 819BA), it shall be entertained only in accordance with the following procedures:

- (a) Any claim that a trade took place at a level which deviated from the Price Parameters, and was an error (“Error Trade”), shall be brought to the attention of the Exchange by any original party to the trade no later than ten minutes after the time of the trade or, if the trade is a Tailor-Made Combination trade, no later than thirty minutes after the time of the trade in such manner and form as may be prescribed by the Exchange from time to time. Upon receipt of such notification, the Exchange shall immediately broadcast an alert on HKATS that the trade is claimed to be an error and may be subject to cancellation.
- (b) If the parties to the Error Trade consent within 10 minutes after the alert is broadcast, and if no objection from any other Exchange Participant is brought to the attention of the Exchange within 10 minutes after the alert is broadcast, the trade will be cancelled in accordance with paragraph (f) of this Rule.
- (c) If within 10 minutes after the alert is broadcast, the parties to the Error Trade do not consent to its cancellation, or if an objection from any other Exchange Participant is brought to the attention of the Exchange, or if not all the parties to the Error Trade can be contacted, a special HKATS Error Trade Review Panel (“Panel”) shall be convened immediately. The Panel shall review relevant information and decide within 10 minutes after it is convened (unless this is impractical) whether or not the claimed Error Trade shall be cancelled in accordance with paragraph (f) of this Rule. Any such decision shall be binding on all parties to the Error Trade and shall be broadcast on HKATS as soon as it is made.
- (d) The Panel shall consist of such members of HKEX’s staff, selected by the Chief Executive, from a list approved by the Chief Executive from time to time. The Panel, in reaching its decision, may consider all relevant facts, including market conditions before, during, and after the transaction occurred; and whether one or more parties to a multiple counterparty trade believe the trade is valid.
- (e) There shall be no appeal from the Panel’s decision for any reason.
- (f) Within 30 minutes after any mutual consent to the cancellation of an Error Trade pursuant to paragraph (b) of this Rule, or any decision by the Panel that an Error Trade should be cancelled pursuant to paragraph (c) of this Rule, each

party to the Error Trade shall complete and submit to the Exchange by facsimile or by hand a form prescribed by the Exchange from time to time in respect of the cancellation. If the Exchange does not receive the relevant form within the 30 minute time period, the Exchange and Clearing House shall be deemed to have been authorized by each party to the Error Trade to effect the cancellation on its behalf. HKEX, the Clearing House and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

- (g) Within the next Trading Day of the T Session or T+1 Session during which any correction of Error Trade took place, the party initially requesting the correction shall submit to the Exchange a report setting out a detailed account of (i) the Error Trade committed; (ii) the reason for the Error Trade; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.
- (h) For the avoidance of doubt, no trade that takes place at a level within the Price Parameters, or is reported to the Exchange later than the time specified in Rule 819B(a), is subject to these cancellation provisions.
- (i) For each Error Trade claim initiated by an Exchange Participant pursuant to this Rule 819B, the Exchange Participant shall pay to the Exchange upon demand a fee of HK\$3,000 per trade.

#### Large-Scale Error Trades

819BA. If the Error Trades claimed by an Exchange Participant are of such magnitude or complexity that any claim in respect of such Error Trades may have to be handled in accordance with this Rule 819BA (“Large-Scale Error Trades”), the Exchange will broadcast an alert on HKATS as soon as practicable that such trades may be subject to a Large-Scale Error Trade claim. If the Exchange in its absolute opinion determines, taking into consideration relevant factors such as the number of trades, counterparties, futures contract months and option series involved, that the claim should be handled as a Large-Scale Error Trade claim, the Exchange will entertain such claim in accordance with the following procedures:

- (a) The Exchange will broadcast an alert on HKATS as soon as practicable that such trades are the subject of a Large-Scale Error Trade claim and such trades and other related trades may be subject to cancellation.
- (b) The Exchange will evaluate the trades in question and other related trades (whether the Exchange Participant which has initiated the relevant claims is a party to the trades or not) using the Large-Scale Error Trade notation prices and the price parameters applicable to Large-Scale Error Trades (the “Large-Scale Error Trade Price Parameters”), both as prescribed by the Exchange and notified to Exchange Participants from time to time.
- (c) Unless otherwise determined by the Exchange at its sole discretion, all trades which took place on HKATS at a level which deviated from the Large-Scale

Error Trade Price Parameters and within such time period as may be determined by the Exchange shall be cancelled (whether the trades have been claimed as Error Trades by an Exchange Participant or not) and an alert on the trades to be cancelled shall be broadcast on HKATS. Notwithstanding Rule 108, any such decision shall be binding on the parties to these trades and the parties to these trades shall not be entitled to object to their cancellation or appeal against the Exchange's decision for any reason. HKEX, the Clearing House and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

- (d) Within the next Trading Day of the T Session or T+1 Session during which any Large-Scale Error Trade took place, the party initiating the Error Trade claims shall submit to the Exchange a report setting out a detailed account of (i) the Error Trades committed; (ii) the reason for the Error Trades; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.
- (e) For the handling of Large-Scale Error Trades pursuant to this Rule 819BA, the Exchange Participant which has initiated the relevant claims shall pay to the Exchange upon demand a fee of HK\$3,000 per trade.

819BB. In the event that the Exchange determines under Rule 819BA that a claim should not be handled as a Large-Scale Error Trade claim, the Exchange will broadcast a further alert on HKATS that the claim will not be handled as a Large-Scale Error Trade claim, and the procedures under Rules 819B(b) to (i) shall apply instead (except that the alert referred to in Rules 819B(b) and 819B(c) shall be deemed to be the alert broadcast under this Rule 819BB).

#### Erroneous Trades

- 819C. (a) If an Exchange Participant fails to execute a Client's order by any omission on its part or erroneously executes a Client's order such that the resulting trade differs in quantity, contract month or position (e.g. buy instead of sell) from that specified by the Client and the omission or erroneous trade is not detected until after the close of the relevant Market or immediately prior to the close of the relevant Market such that it is not possible to rectify the omission or error in the relevant Market, the Exchange Participant may assume the omitted or erroneous position into its House account by submitting to the Exchange the form prescribed from time to time by the Exchange as soon as possible after the close of the relevant Market, but not later than one hour after the close of the relevant Market, provided that the omitted order or erroneous trade relates to an Exchange Contract which has been designated by the Exchange as an Exchange Contract to which this Rule 819C applies.
- (b) Exchange Participants shall provide to the Exchange such information and documents as it shall require or deem necessary to substantiate the use of this procedure and shall comply with such other procedures as may from time to time be prescribed by the Exchange relating to omitted orders and erroneous trades.

- (c) If a Client suffers loss as a result of orders omitted or erroneously executed by an Exchange Participant, the loss shall be made good by the Exchange Participant.

#### Deletion of Block Trades

819D. If an Exchange Participant has been notified by the Exchange or the Clearing House that a Block Trade executed by the Exchange Participant on HKATS is not valid or has not satisfied all the criteria applicable to the Block Trade or the Block Trade will not be registered with or cleared by the Clearing House for any reason, or if the Exchange Participant fails to deposit any Special Block Trade Margin required by the Clearing House by the stipulated time, the Exchange in conjunction with the Clearing House will, without being required to give further notice to the Exchange Participant, delete the Block Trade from HKATS and DCASS as if the Block Trade had never been executed.

#### Trading Infractions

820. The following shall constitute trading infractions and any Exchange Participant or any of its Authorized Person committing any such infraction shall be subject to disciplinary proceedings (in the case of an Authorized Person, its Exchange Participant) as provided in these Rules. Trading infractions comprise:-

- (a) a bid or offer out of line with those in the Market;
- (b) a bid or offer which tends to confuse other Exchange Participants; and
- (c) (deleted)
- (d) failure to confirm a transaction.
- (e) (deleted)

#### Trading Systems

821. Trading in a Market may be conducted via HKATS or such other trading systems as the Board shall prescribe in respect of each Market.

822. – 824. (deleted)

#### HKATS

825. Except as otherwise provided in these Rules, HKATS shall be governed by and operated in accordance with the Rules set out in Chapter XII hereof.

#### Self-match Prevention

825A. An Exchange Participant may apply for Self-match Prevention service for itself, its Clients or other persons by submitting to the Exchange such form and such supporting documents as it may prescribe from time to time. An SMP ID will be assigned by the Exchange for the Exchange Participant or each Client or other person approved by the

Exchange under the Exchange Participant's application. Any SMP ID so assigned may only be tagged to orders of the Exchange Participant, a Client or such other person approved by the Exchange, as the case may be, in accordance with such requirements as the Exchange may from time to time prescribe.

- 825B. An Exchange Participant acknowledges that orders tagged with an SMP ID entered into HKATS may be cancelled as part of the SMP. The Exchange shall in no case be liable for any failure or unavailability of, or error or defect in the functioning of the SMP.
- 825C. An SMP ID may be used by more than one Exchange Participant. An Exchange Participant must obtain approval from the Exchange for the use of the SMP and each SMP ID. To be approved to use the SMP and an SMP ID, an applicant Exchange Participant shall apply in writing to the Exchange and demonstrate initially and on a continuous basis to the satisfaction of the Exchange that it has implemented appropriate and effective measures and taken reasonable steps to ensure that the use of the SMP and each SMP ID is in compliance with the requirements as the Exchange may from time to time prescribe. The Exchange Participant shall be responsible and liable for the use of each SMP ID and shall notify the Exchange promptly where it becomes aware of any breach, infringement or non-compliance of these Rules or requirements as may be prescribed by the Exchange from time to time, or acts of or potential market misconduct whether by itself, its Clients or other persons.
- 825D. If the Chief Executive is of the opinion that any of the requirements related to the SMP are not properly followed by an Exchange Participant or any of its Clients or other persons approved under its SMP application, including any improper acts or practices in connection with their use of the SMP, the Chief Executive may by notice to the Exchange Participant, suspend or prohibit the Exchange Participant or any of its Clients or other persons from using the SMP by suspending or invalidating the relevant SMP ID or otherwise, or impose such additional requirement for the use as he may consider appropriate.
- 825E. Notwithstanding any other provisions contained in these Rules, if more than one Exchange Participant applies to the Exchange for SMP service for the same person, each Exchange Participant's identity and its approval to use the SMP ID for such person may be disclosed to the other Exchange Participant(s) as the Exchange considers appropriate.

#### 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.

#### 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.

#### Holiday Trading Exchange Contracts

830. The Exchange may from time to time designate an Exchange Contract to be a Holiday Trading Exchange Contract and prescribe the public holidays on which such Holiday Trading Exchange Contract may be traded on or through the facilities of the Exchange. The Exchange may amend the list of Holiday Trading Exchange Contracts and the trading calendar for such Holiday Trading Exchange Contracts from time to time.
831. Notwithstanding any other provisions of these Rules or any approval granted to an Exchange Participant to trade in any Market, if an Exchange Contract is designated as a Holiday Trading Exchange Contract by the Exchange, an Exchange Participant must obtain approval from the Exchange in order to trade or continue to trade the Holiday Trading Exchange Contract. To be approved to trade or continue to trade Holiday Trading Exchange Contracts, an applicant Exchange Participant shall apply in writing to the Exchange and demonstrate initially and on a continuous basis to the satisfaction of the Exchange its ability to comply with the following requirements and such other requirements as may be prescribed by the Exchange from time to time:
- (a) be an HKCC Participant or have an agreement with an HKCC Participant registered with the Clearing House under the category “General Clearing Participant” for the clearing of trades in Holiday Trading Exchange Contracts of the Exchange Participant;
  - (b) have demonstrated and confirmed its system and operational readiness for the trading and, where applicable, the clearing of Holiday Trading Exchange Contracts;
  - (c) comply with the requirements of reporting its Large Open Positions in Holiday Trading Exchange Contracts in such form and with such frequency as may from time to time be prescribed by the Exchange and procure its Clients to comply with the contract limits and reporting requirements prescribed by the Commission under the Ordinance or otherwise for Holiday Trading Exchange Contracts.