

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

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These procedures shall be read in conjunction with and shall form part of the Exchange Rules. Unless otherwise indicated, the terms used herein shall have the same meanings as contained in the Exchange Rules and the Clearing House Rules.

## **CHAPTER 1**

### **TRADING**

#### *1.1 Method of Trading*

Trading in Stock Futures Contracts and Options on Stock Futures Contracts shall be conducted exclusively through the Automated Trading System of the Exchange (“HKATS”) during the trading hours specified from time to time by the Exchange and in accordance with the Exchange Rules, the Clearing House Rules, applicable Regulations, Contract Specifications and Procedures, the Clearing House Procedures and the HKATS Users’ Guide.

An Exchange Participant shall be liable for all Orders, Stock Futures Contracts and Options on Stock Futures Contracts arising from its connection to HKATS and recorded in the Central Orderbook and Transaction Register respectively of HKATS or other consequences resulting from the use of such Exchange Participant’s connection.

An Exchange Participant shall follow those security procedures pertaining to the connection as are from time to time specified by the Exchange and shall notify the Exchange immediately if it becomes aware of, or its trading activities are affected by, any disruptions whether technical or otherwise.

#### *1.2 Trading Hours*

The Trading Hours of Stock Futures Contracts and Options on Stock Futures Contracts on each Business Day shall be those prescribed by the Board from time to time as specified in the applicable Contract Specifications.



## CHAPTER 2

### ELIGIBILITY TO TRADE IN THE STOCK FUTURES AND OPTIONS ON STOCK FUTURES MARKETS

2.1 (deleted)

2.2 *Stock Futures Contract and Options on Stock Futures Contract Trading Privileges*

Exchange Participants must obtain approval from the Exchange in order to trade Stock Futures Contracts and Options on Stock Futures Contracts through HKATS. To be approved to trade Stock Futures Contracts and Options on Stock Futures Contracts, an applicant Exchange Participant firm must satisfy the following:

2.2.1 have been approved by and registered with the Exchange to trade through HKATS;

2.2.2 have installed, to the satisfaction of the Exchange, the HKATS equipment as described in the HKATS Trading Procedures;

2.2.3 have adequate security procedures in place;

2.2.4 have a clearing arrangement in place acceptable to the Clearing House; i.e. the Exchange Participant has registered with the Clearing House as an HKCC Participant or where the Exchange Participant is a Non-Clearing Participant, entered into a Clearing Agreement with a General Clearing Participant of the Clearing House;

2.2.5 (deleted)

2.2.6 be financially and operationally capable of fulfilling all obligations related to participation in the Stock Futures and Options on Stock Futures Markets; and

2.2.7 have adequate internal control and risk management procedures in place.

Exchange Participants which wish to trade in the Stock Futures and Options on Stock Futures Markets shall apply in writing to the Exchange and demonstrate initially and on a continuous basis, their ability to fulfill the above requirements to the satisfaction of the Exchange.

2.3 (deleted)



## CHAPTER 3

### MARKET MAKERS IN STOCK FUTURES AND OPTIONS ON STOCK FUTURES CONTRACTS

#### 3.1 *Application for a Market Maker Permit*

The Stock Futures and Options on Stock Futures Markets will provide for the presence of Market Makers to enhance liquidity.

3.1.1 – 3.1.2 (deleted)

#### 3.1.3 Granting of a Market Maker Permit

An Exchange Participant's application for a Market Maker permit in a Stock Futures Contract and/or an Options on Stock Futures Contract shall be made in writing to the Exchange.

The Exchange may register a Market Maker in a Stock Futures Contract in respect of an individual stock. Upon granting a Market Maker permit in a Stock 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 at least the first two (2) contract months of the Stock Futures Contract [i.e. Spot Month and the next calendar month].

The Exchange may register a Market Maker in an Options on Stock Futures Contract in respect of an individual stock. Upon granting a Market Maker permit in an Options on Stock 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 not less than twenty four (24) option series in the Options on Stock Futures Contracts as determined by the Exchange from time to time.

3.2 (deleted)

#### 3.3 *Market Making Requirements of a Market Maker*

In order for a Market Maker to be entitled to Market Maker Incentives (for itself if applicable and for each of its market making arrangements under the relevant Market Maker permit if any), the Market Maker (itself if applicable) and each such market making arrangement shall separately be required to satisfy the market making requirements set forth in this procedure 3.3. References to "Market Maker" in procedures 3.3 and 3.4 shall accordingly be construed to mean "Market Maker (itself if applicable) and each of its market making arrangement under the relevant Market Maker permit" or, where the

context requires otherwise, any of them.

### 3.3.1 Market Making Requirements of a Market Maker in a Hong Kong Stock Futures Contracts

A Market Maker in a Hong Kong Stock Futures Contract must either respond to Quote Requests or provide continuous Quotes. The Exchange Participant shall notify the Exchange of the Market Maker's election(s).

#### 3.3.1.1 Responding to Quote Requests

If a Market Maker in a Hong Kong Stock Futures Contract elects to respond to Quote Requests, it shall:

3.3.1.1.1 respond to at least seventy (70) percent of the Quote Requests during trading hours in each calendar month;

3.3.1.1.2 respond to a Quote Request within ten (10) seconds of receipt and shall hold the Quote for at least twenty (20) seconds after keying it into HKATS unless a change in the nominal price of the underlying stock occurs during that period, in which case, the 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 3.3.1.1;

3.3.1.1.3 make bids and offers for a minimum of ten (10) contracts; and

3.3.1.1.4 under normal market conditions, make bids and offers with a maximum bid/offer spread equivalent to four (4) times the best bid / offer spread of the underlying stock as prescribed by SEHK or HK\$0.15 whichever is greater.

#### 3.3.1.2 Providing Continuous Quotes

If a Market Maker in a Hong Kong Stock Futures Contract elects to provide continuous Quotes, it shall:

3.3.1.2.1 quote the assigned contract months for not less than seventy (70) percent of the trading hours of the Hong Kong Stock Futures Contract in each



calendar month;

3.3.1.2.2 make bids and offers for a minimum of ten (10) contracts;

3.3.1.2.3 quote the assigned contract months in the Hong Kong Stock Futures Contract with a maximum bid/offer spread equivalent to four (4) times the best bid / offer spread of the underlying stock as prescribed by SEHK or HK\$0.15 whichever is greater; and

3.3.1.2.4 display on HKATS all Quotes on the assigned contract months in the Hong Kong Stock Futures Contract for not less than twenty (20) seconds after keying it into HKATS unless a change in the nominal price of the underlying stock occurs during that period in which case, the 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 3.3.1.2 for the original Quotes.

A Market Maker shall not be required to fulfil the market making requirements set forth in procedure 3.3.1 during the first five (5) minutes of each morning trading session.

The Exchange may, at the absolute discretion of the Chief Executive, revoke a Market Maker permit in a Hong Kong Stock Futures Contract or any market making arrangement or other approval granted thereunder if it does not meet the market making requirements set forth in this procedure 3.3.1 for two (2) consecutive calendar months.

### 3.3.2 Market Making Requirements of a Market Maker in an International Stock Futures Contract

A Market Maker in an International Stock Futures Contract must either respond to Quote Requests or provide continuous Quotes. The Exchange Participant shall notify the Exchange of the Market Maker's election(s).

#### 3.3.2.1 Responding to Quote Requests

If a Market Maker in an International Stock Futures Contract elects to respond to Quote Requests, it shall:

3.3.2.1.1 respond to at least seventy (70) percent of the

Quote Requests during trading hours in each calendar month;

- 3.3.2.1.2 respond to a Quote Request within 1 minute of receipt and shall hold the Quote for at least 20 seconds after keying it into HKATS unless a change in the nominal price of the underlying stock occurs during that period; in which case, the 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 3.3.2.1 for the original Quote;
- 3.3.2.1.3 make bids and offers for a minimum of five (5) contracts for US Stock Futures Contracts and Japanese Stock Futures Contracts and three (3) contracts for Korean Stock Futures Contracts and Taiwanese Stock Futures Contracts; and
- 3.3.2.1.4 under normal market conditions, make bids and offers with a maximum bid/offer spread equivalent to 2.5% of the Stock Futures bid price.

### 3.3.2.2 Providing Continuous Quotes

If a Market Maker in an International Stock Futures Contract elects to provide continuous Quotes, it shall:

- 3.3.2.2.1 quote the assigned contract months for not less than fifty (50) percent of the trading hours of the International Stock Futures Contract in each calendar month;
- 3.3.2.2.2 quote the assigned contract months in the International Stock Futures Contract with a maximum bid/offer spread equivalent to 2.5% of the Stock Futures bid price and for a minimum of five (5) contracts for US Stock Futures Contracts and Japanese Stock Futures Contracts and three (3) contracts for Korean Stock Futures Contracts and Taiwanese Stock Futures; and
- 3.3.2.2.3 display on HKATS all Quotes on the assigned contract months in the International Stock Futures Contract for not less than twenty (20) seconds after keying it into HKATS unless a

change in the nominal price of the underlying stock occurs during that period, in which case, the 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 3.3.2.2 for the original Quotes.

A Market Maker shall not be required to fulfil the market making requirements set forth in procedure 3.3.2 during the first five (5) minutes of each morning trading session.

The Exchange may, at the absolute discretion of the Chief Executive, revoke a Market Maker permit in an International Stock Futures Contract or any market making arrangement or other approval granted thereunder if it does not meet the market making requirements set forth in this procedure 3.3.2 for two (2) consecutive calendar months.

### 3.3.3 Market Making Requirements of a Market Maker in Options on Stock Futures Contracts

A Market Maker in an Options on Stock Futures Contract must either respond to Quote Requests or provide continuous Quotes. The Exchange Participant shall notify the Exchange of the Market Maker's election(s).

#### 3.3.3.1 Responding to Quote Requests

If a Market Maker in an Options on Stock Futures Contract elects to respond to Quote Requests, it shall:

3.3.3.1.1 respond to not less than seventy (70) percent of the Quote Requests in the Options on Stock Futures Contract in each calendar month;

3.3.3.1.2 respond to a Quote Request in the Options on Stock Futures Contract within twenty (20) seconds of the Quote Request's display on HKATS;

3.3.3.1.3 display on HKATS a Quote made in response to a Quote Request for not fewer than twenty (20) seconds and for a size of not fewer than five (5) contracts for Options on US Stock Futures Contracts and Options on Japanese Stock Futures Contracts and three (3) contracts for Options on Korean Stock Futures Contracts and Options on Taiwanese Stock Futures Contracts unless a

change in the price of the underlying Stock Futures Contract occurs during the twenty (20) second display period, in which case, the 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 3.3.3.1 for the original Quote; and

3.3.3.1.4 quote the Options on Stock Futures Contract with a bid/offer spread of not greater than:

For Options on US Stock Futures

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1st to 3rd	For prices lower than US\$1	US\$0.20
	For prices higher than US\$1	20% of bid price
4th onwards	For prices lower than US\$1	US\$0.25
	For prices higher than US\$1	25% of bid price

For Options on Japanese Stock Futures

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1st to 3rd	For prices lower than ¥100	¥20
	For prices higher than ¥100	20% of bid price
4th onwards	For prices lower than ¥100	¥25
	For prices higher than ¥100	25% of bid price

For Options on Korean Stock Futures

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1st to 3rd	For prices lower than KRW100	KRW20
	For prices higher than KRW100	20% of bid price
4th onwards	For prices lower than KRW100	KRW25
	For prices higher than KRW100	25% of bid price

For Options on Taiwanese Stock Futures

<u>Contract Month</u>	<u>Call/Put Option Price</u>	<u>Maximum Bid/Offer Spread</u>
1st to 3rd	For prices lower than NT\$1	NT\$ 0.20
	For prices higher than NT\$1	20% of bid price
4th onwards	For prices lower than NT\$1	NT\$ 0.25
	For prices higher than NT\$1	25% of bid price

### 3.3.3.2 Providing Continuous Quotes

If a Market Maker in an Options on Stock Futures Contract elects to provide continuous Quotes, it shall:

- 3.3.3.2.1 quote the assigned option series in the Options on Stock Futures Contract for not less than fifty (50) percent of the trading hours of the Options on Stock Futures Contract in each calendar month;
- 3.3.3.2.2 quote the assigned option series in the Options on Stock Futures Contract with a bid/offer spread as specified in procedure 3.3.3.1.4; and
- 3.3.3.2.3 display on HKATS all Quotes on the assigned option series in the Options on Futures Contract for a size of not fewer than five (5) contracts for Options on US Stock Futures Contracts and Options on Japanese Stock Futures Contracts and three (3) contracts for Options on Korean Stock Futures Contracts and Options on Taiwanese Stock Futures Contracts and for not less than twenty (20) seconds unless a change in the price of the underlying Stock Futures Contract occurs during the twenty (20) second display period, in which case, the 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 3.3.3.2 for the original Quotes.

A Market Maker shall not be required to fulfil the market making requirements set forth in procedure 3.3.3 during the first five (5) minutes of each morning trading session.

The Exchange may, at the absolute discretion of the Chief Executive, revoke a Market Maker permit in an Options on Stock Futures Contract or any market making arrangement or other approval granted thereunder if it does not meet the market making requirements set forth in this procedure 3.3.3 for two (2) consecutive calendar months.

3.3.4 During the Expiry Day of an Options on Stock Futures Contract, a Market Maker in the Options on Stock Futures Contract shall not be required to respond to a Quote Request or to provide continuous Quotes for that Contract.

3.3.5 Under Unusual Market Conditions, the Chief Executive may, in his

discretion, temporarily suspend or modify some or all of the obligations of a Market Maker.

### 3.4 *Market Maker Incentives*

#### 3.4.1 Hong Kong Stock Futures Contracts

3.4.1.1 A Market Maker in a Hong Kong Stock Futures Contract shall be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in the Hong Kong Stock Futures Contract.

Unless otherwise determined by the Chief Executive, a Market Maker shall be entitled to the above Market Maker Incentives only if it satisfies the market making requirements set forth in procedure 3.3.1. Without prejudice to any powers or rights of the Exchange or the Chief Executive, if a Market Maker in a Hong Kong Stock Futures 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 for all transactions in that Hong Kong Stock Futures Contract effected in that calendar month.

3.4.1.2 (deleted)

3.4.1.3 (deleted)

#### 3.4.2 International Stock Futures Contracts

3.4.2.1 A Market Maker in an International Stock Futures Contract shall be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in the International Stock Futures Contract.

Unless otherwise determined by the Chief Executive, a Market Maker shall be entitled to the above Market Maker Incentives only if it satisfies the market making requirements set forth in procedure 3.3.2. Without prejudice to any powers or rights of the Exchange or the Chief Executive, if a Market Maker in an International Stock Futures 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.

3.4.2.2 (deleted)

### 3.4.3 Options on Stock Futures Contracts

3.4.3.1 A Market Maker in an International Options on Stock Futures Contract shall be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in the International Options on Stock Futures Contracts.

Unless otherwise determined by the Chief Executive, a Market Maker shall be entitled to the above Market Maker Incentives only if it satisfies the market making requirements set forth in procedure 3.3.3. Without prejudice to any powers or rights of the Exchange or the Chief Executive, if a Market Maker in an International Options on Stock Futures 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.

3.4.3.2 (deleted)

### 3.5 *Market Maker may not Trade for Client*

A Market Maker in a Stock Futures Contract or an Option on Stock Futures Contract shall not in its capacity as such accept an Order or execute a transaction for any Client and shall ensure that each of its market making arrangements will not execute any transaction for an account other than its own account.

### 3.6 *Separate Market Maker Accounts for Market Making Arrangements*

Trades arising from market making activities in relation to each of the Market Maker's market making arrangements will be recorded in separate market maker accounts.





## CHAPTER 4

### DEALING FUNCTIONALITY

#### 4.1 *Order Entry*

An Order in a Stock Futures Contract or an Options on Stock Futures 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 Stock Futures Contract or the Options on Stock Futures Contract.

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

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

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

Notification of the resumption of trading in a suspended Stock Futures Contract or an Options on Stock Futures 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 the Stock Futures Contract or the Options on Stock Futures Contract.

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

In the event of a system failure at an Exchange Participant's site, the Exchange Participant shall contact the Exchange at the HKATS hotline listed in the HKATS User's Guide and advise the Exchange if it wishes to have all its outstanding Orders canceled or remain activated. An Order of an Exchange Participant resident on the Central Orderbook will be inactivated 10 minutes after the occurrence of a system failure at the Exchange Participant's site unless the Exchange Participant has requested the Exchange to keep the Order activated within 10 minutes of the site failure. The Exchange shall not be liable to an Exchange Participant for canceling or keeping activated any Order of the Exchange Participant at its instructions or purported instructions.

An Exchange Participant affected by a system failure at its site may arrange with other Exchange Participants to handle new Orders and subsequently reallocate resulting trades to the corresponding accounts through external allocation according to the Clearing House Rules.

#### 4.3 *Order Amendments and Cancellations*

An Order in a Stock Futures Contract or an Options on Stock Futures 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.

Exchange Participants may amend, cancel or inactivate Orders resident in the Central Orderbook (“Valid Orders”) only during trading hours and the period of 30 minutes before the opening of each trading session if the Pre-Market Opening Period is not applicable or the pre-opening session of the Pre-Market Opening Period if the Pre-Market Opening Period applies.

A Valid Order that is amended in connection with a reduction in size, a change in the duration of validity, or modification of optional (“free”) text information shall not affect the time priority of the original Valid Order.

A Valid Order that is amended in connection with price or an increase in size: (i) will result in the loss of time priority of the original Valid Order if the amendment is made during trading hours; and (ii) will result in the loss of time priority of the original Valid Order if the amendment is made during the Pre-Market Opening Period (where the Pre-Market Opening Period is applicable). Amendment in connection with price or an increase in size of a Valid Order is not allowed during the 30 minute period before the opening of a trading session (where the Pre-Market Opening Period is not applicable).

#### 4.4 (deleted)

#### 4.5 *Adjustment Procedures*

All matters relating to adjustment (including external and internal transfers) of F/O Contracts effected through HKATS which have been novated shall be subject to the Clearing House Rules.

#### 4.6 *Execution of Standard Combinations*

4.6.1 In the event an Order for a spread or strategy combination listed in the “Series/Combinations” window of HKATS (“standard combination”) involving Stock Futures Contracts or Options on Stock Futures 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.

4.6.2 The ranking of Bait Orders shall be in accordance with the time the Bait Orders are generated. A Bait Order whose price is automatically adjusted according to the price movement and/or increase in quantity of the individual market series comprising the standard combination shall be treated as if the Bait Order were newly generated.

4.6.3 In the event an Order for a standard combination is executed separately as Bait Orders in the individual market series, each Stock Futures Contract or Options on Stock Futures 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.

4.6.4 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 Stock Futures Contracts or the Option on Stock Futures Contract comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

4.6.5 (deleted)

4.7 (deleted)

4.8 (deleted)

4.9 *Pre-Market Opening*

4.9.1 The pre-market opening algorithm of HKATS shall apply to such Stock Futures Contract(s) or Options on Stock Futures Contract(s) as the Exchange may from time to time notify to Exchange Participants.

4.9.2 The Pre-Market Opening Period shall comprise (i) the pre-opening session; (ii) the pre-open allocation session; and (iii) the open allocation session, the duration of which may be changed by the Exchange and notified to Exchange Participants from time to time at its discretion.

4.9.3 During the pre-opening session, Limit Orders and Auction Orders may

be entered into HKATS and may be amended or canceled subject to provisions of procedure 4.3. During the pre-open allocation session, only Auction Orders may be entered into HKATS. No Orders may be amended or canceled during the pre-open allocation session. During the open allocation session, no Orders may be entered into HKATS and no Orders may be amended or canceled. The Calculated Opening Price (COP), if any, will be calculated, and Orders will be matched subject to Rule 1215 or converted into Limit Orders or inactive Orders in accordance with the procedures set forth below during the open allocation session.

4.9.4 A COP will be calculated only if the highest bid price of the Limit Orders entered into HKATS is greater than or equal to the lowest ask price of the Limit Orders. If more than one price satisfies this criterion, the COP shall be calculated according to the following rules:

4.9.4.1 The COP shall be one of the bid or offer prices falling at or within the highest bid price and the lowest ask price of the Limit Orders;

4.9.4.2 The COP shall be the price at which the number of contracts matched would be maximized;

4.9.4.3 If more than one price satisfies the rule in procedure 4.9.4.2, the COP shall be the price at which the normal order imbalance is the lowest. For the purposes of this procedure, normal order imbalance is defined as the difference between the number of bid contracts and the number of ask contracts that can be matched at a certain price;

4.9.4.4 If more than one price satisfies the rule in procedure 4.9.4.3, the COP shall be the price at which (i) the aggregate number of contracts comprising the bid Auction Orders and bid Limit Orders at or above that price or (ii) the aggregate number of contracts comprising the ask Auction Orders and ask Limit Orders at or below that price would be the highest;

4.9.4.5 If more than one price satisfies the rule in procedure 4.9.4.4, (i) the COP in the case of the morning trading session shall be the price closest to the previous Closing Quotation (as defined in the Clearing House Rules) of the relevant Stock Futures Contract or Options on Stock Futures Contract 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 Stock Futures Contract or Options on Stock Futures 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 4.9.4.5 shall be disregarded and the calculation of the COP shall proceed in accordance with the rule set forth in procedure 4.9.4.6;

4.9.4.6 If more than one price satisfies the rule in procedure 4.9.4.5, the COP shall be the highest of such prices.

4.9.5 If a COP is calculated, Auction Orders and Limit Orders with ask prices at or below, or bid prices at or above, such determined COP shall be matched at the COP to the extent possible and any unmatched Auction Order shall be converted into a Limit Order with a bid or ask price equal to the COP immediately before Market open. The ranking of such converted Auction Orders and Limit Orders at the COP shall be in accordance with the time the converted Auction Orders and Limit Orders were originally entered into HKATS.

4.9.6 If no COP can be calculated according to procedure 4.9.4 but bid and ask prices exist, all bid Auction Orders will be converted immediately before Market open into bid Limit Orders at the highest bid price and all ask Auction Orders will be converted immediately before Market open into ask Limit Orders at the lowest ask price of the Limit Orders entered into HKATS. The ranking of such converted Auction Orders and Limit Orders with the highest bid price or lowest ask price, as the case may be, shall be in accordance with the time the Auction Orders and Limit Orders were originally entered into HKATS.

4.9.7 If no COP can be calculated according to procedure 4.9.4 and no bid price or ask price exists, all bid Auction Orders (if no bid price exists) and all ask Auction Orders (if no ask price exists) will be converted into inactive Orders immediately before Market open.

4.9.8 The conduct of the Pre-Market Opening Period shall be under the surveillance of designated HKATS Officials. A designated HKATS Official may cancel any Order entered into HKATS during the Pre-Market Opening Period which in his opinion is a manifest error and which would disproportionately affect the Calculated Opening Price.

#### 4.10 *Creation, Execution and Deletion of Tailor-Made Combinations*

4.10.1 Exchange Participants can define and create a Tailor-Made Combination involving such Stock Futures Contracts and/or Options on Stock Futures 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.

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

- the Tailor-Made Combination is one of the strategy combinations prescribed by the Exchange;
- the number of futures contract month or option series (“legs”) comprising the strategy is within the range prescribed by the Exchange;
- the ratio between these legs is within the range prescribed by the Exchange;
- the contract sizes of these legs must be identical;
- the Tailor-Made Combination is not at that time prescribed as a standard combination; and
- an active Order is submitted at the same time as the creation of the Tailor-Made Combination.

4.10.3 Tailor-Made Combinations created on a Business Day will not be carried forward to the next Business Day.

4.10.4 The executed price of a trade in a Tailor-Made Combination may not necessarily correspond with the prevailing market prices of the Stock Futures Contracts or Options on Stock Futures 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.

4.10.5 The Exchange may from time to time prescribe a maximum number of Tailor-Made Combinations that can be listed on HKATS on a Business Day and a throughput rate for each HKATS connection to create Tailor-Made Combinations to protect the integrity of HKATS and to ensure the proper operation of the Markets.

4.10.6 The Exchange may at any time at its sole discretion limit the number of Tailor-Made Combinations an Exchange Participant may create on a Business Day by notice to the Exchange Participant.

4.10.7 The Exchange reserves the right to delete any Tailor-Made Combination listed on HKATS and cancel any Order for that Tailor-Made Combination at any time if:

- (i) the Tailor-Made Combination does not satisfy the criteria as prescribed in procedure 4.10.2;

- (ii) there is no active Order for the Tailor-Made Combination;
- (iii) the total number of Tailor-Made Combinations listed on HKATS exceeds the maximum number prescribed and notified to Exchange Participants by the Exchange from time to time;
- (iv) the Tailor-Made Combination is created by an Exchange Participant which has exceeded the limit imposed on it under procedure 4.10.6; or
- (v) the Exchange determines that the Tailor-Made Combination is inappropriate.

4.10.8 Any trade in a Tailor-Made Combination that is not created in accordance with the criteria as prescribed in procedure 4.10.2 will not be considered as a valid trade by the Exchange and, notwithstanding any provisions of the Exchange Rules or the Clearing House Rules, will not be registered or cleared by the Clearing House. In the event that an Exchange Participant has been notified by the Exchange that a Tailor-Made Combination trade is invalid on the Business Day during which the Tailor-Made Combination trade is executed, the Exchange in conjunction with the Clearing House will, without being required to give further notice to the Exchange Participant, delete the invalid Tailor-Made Combination trade from HKATS and the “deal file” of the clearing system as if the Tailor-Made Combination trade had never been executed. No action shall lie against and no liability of whatsoever nature and howsoever arising, whether in contract, tort or otherwise, shall be incurred by the Exchange or the Clearing House directly or indirectly in connection with the deletion of any invalid Tailor-Made Combination trade.





## CHAPTER 5

### CONTINGENCY PROCEDURES

#### 5.1 *Typhoon Signals, Extreme Conditions and Black Rainstorm Warnings*

##### 5.1.1 Arrangements for Hong Kong Stock Futures Contracts

Unless otherwise announced by the Exchange, the trading arrangements upon the approach and the retreat of typhoons, announcement/cancellation of Extreme Conditions and/or issuance/discontinuation of black rainstorm warnings for Hong Kong Stock Futures Contracts shall be as specified in Exchange Rule 902.

##### 5.1.2 Arrangements for International Stock Futures Contracts and Options on Stock Futures Contracts

Unless otherwise decided by the Exchange, the trading arrangements upon the approach and retreat of typhoons, announcement and cancellation of Extreme Conditions and/or issuance and discontinuation of black rainstorm warnings for International Stock Futures Contracts and Options on Stock Futures Contracts shall be as follows:

<b>(a) Trading Arrangement Upon Approach/Retreat of Typhoon or Announcement/Cancellation of Extreme Conditions</b>	
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1. Typhoon Signal No. 8 or above hoisted or Extreme Conditions are announced at any time prior to 8:00 a.m.:	Resumption of Trading <sup>(Note)</sup> :  - from 8:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 6:00 a.m.; - from 8:30 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 6:30 a.m. ; - from 9:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 7:00 a.m. ; - from 9:30 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 7:30 a.m. ; - from 10:00 a.m. if the Signal is lowered
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	<p>and Extreme Conditions are cancelled (where applicable) at or before 8:00 a.m.;</p> <ul style="list-style-type: none"> <li>- from 10:30 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 8:30 a.m.;</li> <li>- from 11:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 9:00 a.m.;</li> <li>- from 11:30 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 9:30 a.m.;</li> <li>- from 12:00 noon if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 10:00 a.m.;</li> <li>- from 12:30 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 10:30 a.m.;</li> <li>- from 1:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:00 a.m.;</li> <li>- from 1:30 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:30 a.m.;</li> <li>- from 2:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 12:00 noon.</li> <li>- No trading for the day if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 12:00 noon.</li> </ul>
<p>2. Typhoon Signal No. 8 or above hoisted or Extreme Conditions are announced during trading hours:</p>	<p>Trading will be terminated 15 minutes after the hoisting of the Signal or above or announcement of Extreme Conditions, and:</p> <ul style="list-style-type: none"> <li>- Trading will resume from 2:00 p.m. if the Signal is lowered and Extreme</li> </ul>

	<p>Conditions are cancelled (where applicable) at or before 12:00 noon <sup>(Note)</sup>.</p> <ul style="list-style-type: none"> <li>- There will be no trading in the afternoon the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 12:00 noon.</li> </ul>
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Note: In the event the Pre-Market Opening Period applies to any Stock Futures Contract or Options on Stock Futures Contract, the Pre-Market Opening Period for that Stock Futures Contract or Options on Stock Futures Contract will commence thirty (30) minutes before the indicated time of resumption of trading.

<b>(b) Trading Arrangement Upon Issuance/Discontinuation of Black Rainstorm Warning</b>	
<p>1. Black rainstorm warning issued at any time prior to 8:00 a.m.</p>	<p>Resumption of Trading <sup>(Note)</sup>:</p> <ul style="list-style-type: none"> <li>- From 8:00 a.m. if black rainstorm warning is discontinued at or before 6:00 a.m.</li> <li>- From 8:30 a.m. if black rainstorm warning is discontinued at or before 6:30 a.m.</li> <li>- From 9:00 a.m. if black rainstorm warning is discontinued at or before 7:00 a.m.</li> <li>- From 9:30 a.m. if black rainstorm warning is discontinued at or before 7:30 a.m.</li> <li>- From 10:00 a.m. if black rainstorm warning is discontinued at or before 8:00 a.m.</li> <li>- From 10:30 a.m. if black rainstorm warning is discontinued at or before 8:30 a.m.</li> <li>- From 11:00 a.m. if black rainstorm warning is discontinued at or before 9:00 a.m.</li> <li>- From 11:30 a.m. if black rainstorm warning is discontinued at or before 9:30 a.m.</li> <li>- From 12:00 noon if black rainstorm warning is discontinued at or before 10:00 a.m.</li> <li>- From 12:30 p.m. if black rainstorm warning is discontinued at or before 10:30 a.m.</li> <li>- From 1:00 p.m. if black rainstorm warning is discontinued at or before 11:00 a.m.</li> <li>- From 1:30 p.m. if black rainstorm warning is discontinued at or before 11:30 a.m.</li> <li>- From 2:00 p.m. if black rainstorm warning is</li> </ul>

	discontinued at or before 12:00 noon - No trading for the day if black rainstorm warning is discontinued after 12:00 noon
2. Black rainstorm warning issued during trading hours	Trading will continue as normal

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

## 5.2 *Special Events*

Special events which may affect trading will be handled by the Exchange in a manner similar to those described in relation to typhoons, Extreme Conditions or black rainstorm warnings. Exchange Participants will be notified of the exact arrangements and procedures in relation to any suspension of services or facilities via the Market Messages Window of HKATS, DCASS, email, HKEX website or such other means deemed appropriate by the Exchange.

## **CHAPTER 6**

### **CLIENT MARGIN**

Exchange Participants are required to collect margins from their Clients for the purpose of trading Stock Futures Contracts or Options on Stock Futures Contracts in accordance with Exchange Rules 617 - 619 (inclusive) and the “Guidelines on Margin Procedures For the Purpose of Minimum Requirements Pursuant to Rule 617” (the “Guidelines”). Exchange Participants shall refer to the Guidelines for details.