

Chapter 1 The Options System: Operational and Service Schedule

1.1 The Options System

The Options System provides Options Trading Exchange Participants with screen-based facilities for the trading and clearing of stock options. Trading functions are performed through the Options Trading System, the Hongkong Futures Automated Trading System (“HKATS”), whereas clearing functions (including give-ups, acceptance of give-ups and exercise requests) and collateral management functions are performed through the Options Clearing System, which comprises the Derivatives Clearing and Settlement System (“DCASS”) and the Common Collateral Management System (“CCMS”).

1.2 Stock Options Trading

To carry out stock options trading, Options Trading Exchange Participants are required to submit orders and/or quotes for auto-matching through HKATS. Matched trades are automatically passed to DCASS for further processing.

1.3 Stock Options Clearing

The SEHK Options Clearing House Limited (“SEOCH”), a wholly-owned subsidiary of HKEX, is solely responsible for stock options clearing. It acts as the counterparty to all trades and guarantees contract performance in terms of money settlement and stock delivery.

As soon as a trade has been validly created in HKATS, the trade will be transmitted to DCASS and will be registered in DCASS as a position and thereafter monitored by SEOCH for the purposes of risk management through to delivery or expiry.

SEOCH Participants can enter exercise requests for Market Maker, house or client (including NCP) positions via DCASS. SEOCH will do the assignment and novation and the resultant stock transactions will be passed to DCASS for settlement, with SEOCH Participants and SEOCH itself as counterparties. On an expiry day, DCASS will automatically generate exercise requests in respect of all open long positions in expiring contracts which meet the exercise criterion prescribed (i) by the relevant SEOCH Participant; or (ii) if no such exercise criterion is prescribed by the SEOCH Participant, by SEOCH. SEOCH Participants can elect to deny such automatically generated exercise requests via DCASS at any time prior to the System Input Cutoff Time on the expiry day. For details please refer to the *Operational Clearing Procedures*.

1.4 Periods for Trading on HKATS

A trading day consists of a combination of the following periods for trading on HKATS:

Pre-Trading Period

This is the 30 minute-period prior to the commencement of each trading session during which Options Trading Exchange Participants may amend, cancel or inactivate orders resident in the Central Orderbook.

Trading Period

A trading day normally consists of a morning trading session and an afternoon trading session during which orders and quotes are auto-matched continuously as the order book changes based on price and time priority.

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Lunch Period

This is the period between the morning trading session and the afternoon trading session during which trading on HKATS is halted as the underlying market is halted during lunch hours. The options market reverts to the Pre-Trading Period 30 minutes prior to the commencement of the afternoon trading session.

End of Trading

At the end of the trading day, HKATS is closed to all Options Trading Exchange Participants and remains unavailable until the next trading day.

1.4A Periods for Clearing in DCASS

A trading day consists of a combination of time periods for accessing various clearing functions in DCASS. Please refer to the *Operational Clearing Procedures* for details.

1.5 Normal Trading Day

The following table describes the time schedule for the trading of stock options on HKATS on a normal trading day:

<u>Time</u>	<u>Events in HKATS</u>
9:00 a.m.	Pre-Trading starts for all classes.
9:30 a.m.	Trading starts for all classes.
12:00 noon	Trading stops for all classes.
1:00 p.m.	Pre-Trading starts for all classes provided that with effect from 5 March 2012, pre-trading shall start at 12:30 p.m.
1:30 p.m.	Trading starts for all classes provided that with effect from 5 March 2012, trading shall start at 1:00 p.m.
4:00 p.m.	Trading stops for all classes.

1.6 Half-Day Trading

On the eves of Christmas, New Year and Lunar New Year (and on any other days declared by the Exchange to be Half-Day Trading days for underlying securities), the trading hours will be in accordance with the following table:

<u>Time</u>	<u>Events in HKATS</u>
9:00 a.m.	Pre-Trading starts for all classes.
9:30 a.m.	Trading starts for all classes.
12:00 noon	Trading stops for all classes.

1.7 Control of Trading Periods

The Exchange may, whether or not in conjunction with SEOCH, vary the sequence and duration of each trading and clearing period in emergency situations, if necessary.

Although the Exchange endeavours to comply with the commencement and termination time for each trading period as given in 1.5 and 1.6, all timing figures are indicative only. The transition between various trading periods is controlled by the Exchange according to the time kept by the Exchange.

The Exchange may broadcast messages via HKATS terminals when a system state change is about to happen or has already happened. Appendix I describes some standard broadcast messages used by the Exchange regarding the state of stock options trading on HKATS.

1.8 [Repealed]

1.9 [Repealed]

1.10 [Repealed]

1.11 [Repealed]

1.12 [Repealed]