

Options Trading Rules

CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

101. In these Options Trading Rules, unless the context otherwise requires:-

“Self-match Prevention” or “SMP” means the prevention of the matching in the Options Trading System during the trading hours of orders that are tagged with the same SMP ID whereby the relevant order(s) will be automatically cancelled in accordance with the specified SMP Instruction;

“SMP ID” means a code, number or identifier to be used for tagging orders entered into the Options Trading System for the account of the same Options Trading Exchange Participant, client or other person in such manner as the Exchange may from time to time prescribe for the purpose of SMP;

“SMP Instruction” means either of the following instructions specified by the relevant Options Trading Exchange Participant for an SMP ID in relation to new and existing orders in separate order queues that are tagged with such SMP ID that might otherwise have been matched:-

- (a) “Cancel Aggressive”, that is, the newly entered order or, if such newly entered order is partially matched before any existing order with the same SMP ID is at the top of the order queue, the remaining unmatched part of such newly entered order will be cancelled by the Options Trading System; or
- (b) “Cancel Passive”, that is, the existing order or, if such existing order is partially matched before the newly entered order with the same SMP ID is at the top of the order queue, the remaining unmatched part of such existing order will be cancelled by the Options Trading System;

CHAPTER 5

THE OPTIONS TRADING SYSTEM

Self-match Prevention

- 522C. An Options Trading 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 Options Trading Exchange Participant or each client or other person approved by the Exchange under the Options Trading Exchange Participant's application. Any SMP ID so assigned may only be tagged to orders of the Options Trading 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.
- 522D. An Options Trading 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.
- 522E. An SMP ID may be used by more than one Options Trading Exchange Participant. An Options Trading 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 Options Trading 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 Options Trading 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 Options Trading 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.

- 522F. If the Chief Executive is of the opinion that any of the requirements related to the SMP are not properly followed by an Options Trading 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 Options Trading Exchange Participant, suspend or prohibit the Options Trading 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.
- 522G. Notwithstanding any other provisions contained in these Options Trading Rules, if more than one Options Trading Exchange Participant applies to the Exchange for SMP service for the same person, each Options Trading Exchange Participant's identity and its approval to use the SMP ID for such person may be disclosed to the other Options Trading Exchange Participant(s) as the Exchange considers appropriate.