

**Options Trading Rules**

**THIRD SCHEDULE**

**REGULATIONS FOR BLOCK TRADES**

- 1A. Options Trading 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 Regulation 2 of this Third Schedule and such other criteria, as may be prescribed by the Board and notified to Options Trading 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 SEOCH.
2. An Options Trading Exchange Participant must ensure that the following criteria are satisfied when conducting a Block Trade:

2.2 Minimum Volume Threshold

Subject to Regulation 2.2A of this Third Schedule, an Options Trading Exchange Participant shall not execute any order as a Block Trade unless that order meets the applicable Minimum Volume Threshold and the Options Trading Exchange Participant has received instructions or has been specifically authorized to execute the order as a Block Trade. Notwithstanding the provisions of Regulation 2.2A, for the purposes of determining whether the Minimum Volume Threshold is satisfied, two separate orders belonging to the Options Trading Exchange Participant or the same client relating to the same 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.

2.3 Block Trade Order Entry

2.3.1 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:

- (a) A Block Trade order entry by one Options Trading Exchange Participant

A Block Trade which is negotiated internally between accounts of an Options Trading Exchange Participant or negotiated between two Options Trading Exchange Participants may be entered into HKATS by one Options Trading Exchange Participant. When two Options Trading Exchange Participants are involved, either one of the Options Trading Exchange Participants shall be responsible for transferring to the other Options Trading Exchange Participant its positions by way of trade adjustment in accordance with the Operational Clearing Procedures, which require the transferring Options Trading Exchange Participant or where applicable, its General Clearing Participant to inform SEOCH of the trade adjustment request as soon as it has been confirmed by the receiving Options

Trading Exchange Participant or where applicable, its General Clearing Participant on DCASS.

(b) A Block Trade order entry by two Options Trading Exchange Participants

A Block Trade which is negotiated between two Options Trading Exchange Participants may be separately entered into HKATS by the respective buying and selling Options Trading 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.

4. Each Options Trading 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 Options Trading Exchange Participant shall ensure that such telephone recordings or records are maintained for at least 6 months.
5. Without prejudice to the powers of the Chief Executive to revise these Regulations under Regulation 1 of this Third Schedule and the powers of the Board to prescribe additional Block Trade criteria under Regulation 1A of this Third Schedule, if the Chief Executive is of the opinion that any of the prescribed criteria are not properly followed by an Options Trading 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 Options Trading Exchange Participant, the Chief Executive may by notice to the Options Trading Exchange Participant prohibit the Options Trading 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 SEOCH.