

Options Trading Rules

SECOND SCHEDULE

MARKET MAKER OBLIGATIONS

3. The maximum bid/offer spread is as follows:

Option Series	Option Class	
	Liquidity Level 1	Liquidity Level 2
Spot month with 3 days or less to expiry	20% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot month with 4 days or more to expiry and the two next calendar expiry months	10% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	10% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.
The next 2 calendar quarter expiry months	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 6 times the best bid/offer spread of the underlying securities, whichever is the lower.
The 3rd calendar quarter expiry month and any other longer-dated expiry month as the Exchange deems necessary	20% of the bid price of the quote or 8 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 12 times the best bid/offer spread of the underlying securities, whichever is the lower.

Notwithstanding the above, a market maker will not be obliged to quote a spread narrower than the best bid/offer spread of the underlying share (at the time of issuing the quote) plus \$0.05. If, at the time of issuing the quote, the nominal price of the underlying share is \$100 or more, then the market maker will not be obliged to quote a spread narrower than the best bid/offer spread of the underlying share (at the time of issuing the quote) plus \$0.10.

For the purpose of this Rule 3, the categorization of underlying stocks into Liquidity Level 1 or Level 2 will be prescribed by the Exchange at its absolute discretion from time to time.

The above maximum bid/offer spreads may be increased or decreased by the Chief Executive in consultation with the Chairman of the Exchange to reflect fluctuations in the corresponding size of the spread in the underlying stock. Any such modification shall be notified to Options Trading Exchange Participants via HKATS, e-mail or such other means as the Exchange considers appropriate.

4. Any quote that a Market Maker submits shall have a minimum quantity of 60 contracts and 30 contracts for option classes categorised as Liquidity Level 1 and Liquidity Level 2 option classes respectively.
7. The trade tariff (but no other fees) will be discounted for a Market Maker as follows:-

For option classes categorised as Tier 1 option classes pursuant to the Operational Trading Procedures:

- (1) Market Makers which have elected to respond to quote requests and have responded to 70 percent or more quote requests per option class in a month shall pay a reduced tariff of \$1.50 per contract side on each transaction effected in such option class or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for 70 percent or more of the trading hours of such option class in a month shall pay a reduced trading tariff of \$1.50 per contract side on each transaction effected in such option class; and
- (2) [Repealed]
- (3) Market Makers which have elected to respond to quote requests and have responded to less than 70 percent of quote requests per option class in a month will not receive a fee discount or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for less than 70 percent of the trading hours of such option class in a month will not receive a fee discount.

For option classes categorised as Tier 2 option classes pursuant to the Operational Trading Procedures:

- (1) Market Makers which have elected to respond to quote requests and have responded to 70 percent or more quote requests per options class in a month shall pay \$0.80 per contract side on each transaction effected in such option class or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for 70 percent or more of the trading hours of such option class in a month shall pay \$0.80 per contract side on each transaction effected in such option class; and
- (2) Market Makers which have elected to respond to quote requests and have responded to less than 70 percent of quote requests per options class in a month will not receive a fee discount or Market Makers which have elected to provide continuous quotes and have provided continuous quotes for the assigned option series in an option class for less than 70 percent of the trading hours of such option class in a month will not receive a fee discount.