

Options Trading Rules

CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

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

“Fast Market”

means exceptional volatility in the underlying market or such other relevant market as determined by the Chief Executive based on such volatility parameters or indicators as the Chief Executive considers appropriate;

SECOND SCHEDULE

MARKET MAKER OBLIGATIONS

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

Option Series	Option Class		
	Liquidity Level 1	Liquidity Level 2	Liquidity Level 3
Spot month with 3 Business 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.	30% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot month with 4 Business Days or more to expiry and the next 3 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.	20% of the bid price of the quote or 7 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.	30% of the bid price of the quote or 10 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.	30% of the bid price of the quote or 20 times the best bid/offer spread of the underlying securities, whichever is the lower.
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Notwithstanding the above,

- (a) in respect of an option class the underlying security of which is not an Exchange Traded Fund, a Market Maker that provides quotes in any such option class with a minimum price fluctuation of HK\$0.01 or RMB0.01 will not be obliged to quote a spread narrower than the best bid/offer of the underlying security (at the time of issuing the quote) plus 5 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is below 100) or plus 10 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is equal to or above 100);
- (b) in respect of an option class the underlying of which is an Exchange Traded Fund, (i) a Market Maker that provides quotes in any such option class with a minimum price fluctuation of HK\$0.01 or RMB0.01 will not be obliged to quote a spread narrower than the best bid/offer of the underlying security (at the time of issuing the quote) plus 7 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is below 100) or plus 15 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is equal to or above 100); and (ii) in determining the maximum bid/offer spread as set out in the table above, the Exchange may adjust the number of times of bid/offer spread specified in the table by such factor as it may consider appropriate; and
- (c) in respect of any option class with a minimum price fluctuation of HK\$0.001 or RMB0.001, a Market Maker that provides quotes in such option class will not be obliged to quote a spread narrower than HK\$0.03 or RMB0.03.

In addition, a Market Maker will not be obliged to quote for the bid side in response to a quote request for a far out-of-the-money Contract which has a value near zero. A Market Maker shall remain obliged to quote for the sell side by issuing a sell limit order with a limit price no greater than 10 minimum price fluctuations for option classes with a minimum price fluctuation of HK\$0.01 or RMB0.01 and no greater than 30 minimum price fluctuations for option classes with a minimum price fluctuation of HK\$0.001 or RMB0.001 within the required response time and for the minimum required quantity and duration.

For the purpose of this Rule 3, the categorization of option classes into Liquidity Level 1, Level 2 or Level 3 will be prescribed by the Exchange at its absolute discretion from time to time, and unless otherwise determined by the Chief Executive, all option classes will be categorized as Liquidity Level 3 upon the declaration of a Fast Market for such duration as the Chief Executive may determine.

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, HKEX website or such other means as the Exchange considers appropriate.

11. The Exchange may, in its absolute discretion, declare a Fast Market or an Unusual Market Condition at any time by making such announcement through ~~the Options Trading System~~ HKATS, e-mail, HKEX website or such other means as the Exchange considers appropriate. The declaration that there is no longer a Fast Market or an Unusual Market Condition will also be made by such announcement. A Fast Market may be declared in circumstances where there is exceptional volatility in the underlying market or such other relevant market as determined by the Chief Executive based on such volatility parameters or indicators as the Chief Executive considers appropriate, including but not limited to the movement of any representative index and the value of any relevant volatility index. An Unusual Market Condition may be declared in circumstances including, but not limited to, where there is unusual trading activity or volume in any option class(es) or where conditions which deviate from the normal operation of any option class(es) are determined by the Chief Executive to exist.