

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 the prescribed manner and the criteria laid down in Regulation 2 of this Third Schedule, as may from time to time be revised by the Chief Executive under Regulation 1 of this Third Schedule, are satisfied. Any Block Trade which is not executed in the prescribed manner or does not satisfy any prescribed criteria 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:

2.1 Block Trade Contracts

A Block Trade may be transacted only in Block Trade Contracts designated by the Board and notified to Options Trading Exchange Participants from time to time.

2.2 Minimum Volume Threshold

Subject to Regulation 2.3 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.

2.2A Block Trade Order Aggregation

An Options Trading Exchange Participant cannot aggregate separate orders or combine separate orders to generate a spread or strategy combination Block Trade unless:

2.2A.1 at least one of the separate orders from either side meets the Minimum Volume Threshold; and

2.2A.2 in the case of a spread or strategy combination, at least one of the separate orders comprising a leg satisfies the applicable Minimum Volume Threshold; and

2.2A.3 authorizations have been received by the Options Trading Exchange Participant from clients whose orders are being aggregated or combined.

2.3 Block Trade Order Entry

2.3.1 A Block Trade must be negotiated during the trading hours of the Block Trade Contract concerned and 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.

2.3.2 Where a Block Trade involves a spread or strategy combination, each leg must be entered into the Block Trade Facility with such reference information and in such manner as may be specified by the Exchange from time to time.

5. Without prejudice to the powers of the Chief Executive to revise these Regulations under Regulation 1 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.