HKEx 香港交易所

Operational Trading Procedures for Options Trading Exchange Participants

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CHAPTER 3 TRADING FUNCTIONALITIES

3.9   ~~Combination Orders~~Execution of Standard Combinations

~~Combination orders are a group of orders that are to be matched at one single all in price. HKATS allows orders of standard combinations and non-standard combinations as follows:~~

~~Execution of Standard Combinations~~

In the event an order for a spread or strategy combination listed in HKATS ("standard combination") is entered into HKATS, HKATS will automatically generate derived orders ("Bait Orders") based on the prevailing market price of each individual option series comprising the standard combination and the price of the order for the standard combination. Prices of these Bait Orders will be automatically adjusted according to price movement in the individual option series comprising the standard combination.

The ranking of Bait Orders shall be in accordance with the time the ~~original order for the standard combination is entered into HKATS and not the time the~~ Bait Orders are generated. A Bait Order whose price is automatically adjusted according to the price movement and/or increase in quantity of the individual option series comprising the standard combination shall be treated as if the Bait Order were newly generated.

In the event an order for a standard combination is executed separately as Bait Orders in the individual option series, each stock options contract comprising the standard combination will be matched at the prevailing market price of the individual option series. Any matched contracts will be recorded in HKATS as separate trades in the individual option series.

In the event an order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual option series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the stock options contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual option series.

Execution of Non-Standard Combinations

Combinations may be defined by Options Trading Exchange Participants using the "Enter Combination" window of HKATS ("non-standard combinations"). Non-standard combinations may only be executed as "fill or kill" orders. A non-standard combination which has been fully executed will be recorded in HKATS as separate trades in the individual option series comprising the non-standard combination.

3.9A   Creation, Execution, Deletion of Tailor-Made Combinations

Options Trading Exchange Participants can define and create a combination strategy ("Tailor-Made Combination") involving such Options Contracts and during such trading sessions as the Exchange may from time to time notify Options Trading Exchange Participants using the tailor-made combination function of HKATS. Once created, a Tailor-Made Combination can be traded like a normal market series.

Options Trading Exchange Participants shall ensure that the following criteria are satisfied when creating a Tailor-Made Combination:

- the Tailor-Made Combination is one of the strategy combinations prescribed by the Exchange;

- the number of option series ("legs") comprising the strategy is within the range prescribed by the Exchange;

- the ratio between these legs is within the range prescribed by the Exchange;

- the contract sizes of these legs must be identical;

- the Tailor-Made Combination is not at that time prescribed as a standard combination; and

- an active Order is submitted at the same time as the creation of the Tailor-Made Combination.

Tailor-Made Combinations created on a Business Day will not be carried forward to the next Business Day.

The executed price of a trade in a Tailor-Made Combination may not necessarily correspond with the prevailing market prices of the Options Contracts comprising the Tailor-Made Combination. The matched trade in the Tailor-Made Combination will be recorded in HKATS as separate trades in the individual market series.

The Exchange may from time to time prescribe a maximum number of Tailor-Made Combinations that can be listed on HKATS on a Business Day and a throughput rate for each HKATS connection to create Tailor-Made Combinations to protect the integrity of HKATS and to ensure the proper operation of the Markets.

The Exchange may at any time at its sole discretion limit the number of Tailor-Made Combinations an Options Trading Exchange Participant may create on a Business Day by notice to the Options Trading Exchange Participant.

The Exchange reserves the right to delete any Tailor-Made Combination listed on HKATS and cancel any Order for that Tailor-Made Combination at any time if:

(i)   the Tailor-Made Combination does not satisfy the criteria as prescribed in 3.9A;

(ii)   there is no active Order for the Tailor-Made Combination;

(iii) the total number of Tailor-Made Combinations listed on HKATS exceeds the maximum number prescribed and notified to Options Trading Exchange Participants by the Exchange from time to time;

(iv)   the Tailor-Made Combination is created by an Options Trading Exchange Participant which has exceeded the limit imposed on it under 3.9A; or

(v)   the Exchange determines that the Tailor-Made Combination is inappropriate.

Any trade in a Tailor-Made Combination that is not created in accordance with the criteria as prescribed in 3.9A will not be considered as a valid trade by the Exchange and, notwithstanding any provisions of the *Options Trading Rules* or the *Clearing Rules*, will not be registered or cleared by SEOCH. In the event that an Options Trading Exchange Participant has been notified by the Exchange that a Tailor-Made Combination trade is invalid on the Business Day during which the Tailor-Made Combination trade is executed, the Exchange in conjunction with SEOCH will, without being required to give further notice to the Options Trading Exchange Participant, delete the invalid Tailor-Made Combination trade from the Options System as if the Tailor-Made Combination trade had never been executed. No action shall lie against and no liability of whatsoever nature and howsoever arising, whether in contract, tort or otherwise, shall be incurred by the Exchange or SEOCH directly or indirectly in connection with the deletion of any invalid Tailor-Made Combination trade.

3.10A Order Amendment and Cancellation

An order in a stock options contract entered into the Central Orderbook on behalf of a client or an Options Exchange Participant and designated a particular order number may be amended or cancelled provided that the amendment or cancellation is made in compliance with the instructions of that client or Options Exchange Participant, as the case may be, in respect of that particular order.

Options Trading Exchange Participants may amend, cancel or inactivate orders resident in the Central Orderbook ("Valid Orders") only during trading hours and the pre-trading period of 30 minutes before the opening of each trading session.

A Valid Order that is amended in connection with a reduction in size, a change in the duration of validity, or modification of optional "free" text information shall not affect the time priority of the original Valid Order.

A Valid Order that is amended in connection with price or an increase in size: (i) will result in the loss of time priority of the original Valid Order if the amendment is made during trading hours.; and (ii) will be immediately converted into an inactive order if the amendment is These amendments are not allowed to be made during the 30-minute pre-trading period.

In emergency situations where an Options Trading Exchange Participant loses connection to HKATS and wishes to delete any of its orders in the order book, it can request the Exchange to delete such orders on its behalf, subject to a charge (See Appendix A).

CHAPTER 7 CONTINGENCY PROCEDURES

7.1C Equipment Failure

In case of a failure, error or defect in any of the equipment relating to the trading of an Options Trading Exchange Participant on HKATS (including but not limited to terminals, network equipment and communication lines), whether installed at the Options Trading Exchange Participant's office premises or any other location, the Options Trading Exchange Participant shall report the incident to the HKATS hotline immediately. Options Trading Exchange Participants are requested to follow the procedures stipulated in the HKATS User's Guide regarding equipment failure.

An Options Trading Exchange Participant can apply to the Exchange to rent an HKATS terminal at its SOS Centre temporarily for a temporary connection to the contingency gateway in case of lost any connectivity failure experienced by the Options Trading Exchange Participant using network gateway. The Exchange has the absolute discretion to determine whether or not to approve such application. and allow the Options Trading Exchange Participant to use any such HKATS terminal.

An Options Trading Exchange Participant experiencing a temporary loss of connectivity to HKATS may also request the Exchange to delete orders from or conduct other processes on HKATS on its behalf ("On-Behalf-Of Processing"). On-Behalf-Of Processing is principally intended for real contingency situations to reduce the financial risk of an Options Trading Exchange Participant when there is an unexpected temporary failure in system access. It is not intended to be a long-term alternative for the Options Trading Exchange Participant. The Options Trading Exchange Participant is expected to restore its access to HKATS in the shortest time practicable. On-Behalf-Of Processing is subject to the availability of the resources of the Exchange at the time of an Options Trading Exchange Participant's request. The Exchange will appraise each request for On-Behalf-Of Processing on a case-by-case basis and shall have the absolute discretion to turn down any request which it deems inappropriate. The Exchange shall not be liable to any Options Trading Exchange Participant for any On-Behalf-Of Processing conducted on its behalf.

A fee shall be payable by an Options Trading Exchange Participant for renting connecting to an SOS HKATS terminal the contingency gateway and for any On-Behalf-Of Processing executed by the Exchange on its behalf.

APPENDIX A : FEES & COSTS PAYABLE TO THE EXCHANGE

A4   HKATS-Related Charges

Fee Type	Fee
CLICK or OAPI sub-license fee for connection through a network gateway	1750/month/CLICK or OAPI
OAPI sub-license fee for connection with a throughput rate of 5 transactions per second through the central gateway	2600/month/OAPI provided that no OAPI sub-license fee will be charged for either the first 2 connections with a throughput rate of 5 transactions per second or the first connection with a throughput rate of 10 transactions per second of an Options Trading Exchange Participant
OAPI sub-license fee for connection with a throughput rate of 10 transactions per second through the central gateway	5200/month/OAPI provided that no OAPI sub-license fee will be charged for either the first 2 connections with a throughput rate of 5 transactions per second or the first connection with a throughput rate of 10 transactions per second of an Options Trading Exchange Participant

A5   Emergency Costs

Service	Costs	Remarks
~~Rentals for CLICK workstations in SOS centre~~Temporary connection to HKATS via the contingency gateway	HK$1,000 per connection per day or part thereof	~~Inclusive of a telephone set.~~ Subject to availability.
Re-Print of reports	HK$5 per page up to HK$1,000 per report	Subject to availability.
On-Behalf-Of processing except bulk deletion	HK$50 per accepted and executed transaction	1. Inclusive of Printed Trade Confirmation. 2. Exclusive of trading and clearing tariff.
On-Behalf-Of processing for bulk deletion	HK$1,000	This includes deletion of more than 20 orders in one class or in all classes.
Error Trade	HK$3,000 payable by the party which initiated the claim	