

THIRD SCHEDULE

REGULATIONS FOR BLOCK TRADES

1. The Regulations for Block Trades are as specified below but may be subject to revision as determined by the Chief Executive in consultation with the Chairman of the Exchange and the Chief Executive Officer of the Commission. Any such determination made to revise these Regulations will be notified to Options Trading Exchange Participants through HKATS, e-mail, HKEX website or such other means as the Exchange considers appropriate.
- 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.

2.3.3 Notwithstanding Regulation 2.3.1 or any other provisions of this Third Schedule, if an Options Trading Exchange Participant is unable to enter orders for Block Trades negotiated during a trading session into HKATS in that trading session due to any suspension of trading in Options Contracts on the Exchange, any failure, error, defect in, or unavailability of, HKATS or any other contingencies, or if any such contingencies render it necessary for an Options Trading Exchange Participant to negotiate and enter into Block Trades for the purpose of mitigating its risks arising from such contingencies and not any other purpose, the Chief Executive may by notice to Options Trading Exchange Participants allow Options Trading Exchange Participants to enter orders for such Block Trades into HKATS in the next available trading session or during such other time as the Chief Executive may determine, and may relax any of the Block Trade criteria, including but not limited to the lowering of the applicable Minimum Volume Thresholds, the expansion of the price parameters within which a Block Trade must be executed and the use of such other reference price as may be determined by the Chief Executive for determining the price parameters.

2.4 [Repealed]

2.5 Execution Price

2.5.1 The price at which a Block Trade is executed must be fair and reasonable. Price parameters and factors which may be taken into consideration when determining whether a price is fair and reasonable will be prescribed by the Board and notified to Exchange Participants from time to time. At all times, the Board has the absolute discretion to accept or reject an executed price for a Block Trade, and that determination shall be final and conclusive.

2.5.2 A Special Block Trade Margin may be required from an Options Trading Exchange Participant if the executed price of a Block Trade is not considered fair and reasonable, if a significant deviation exists between the executed price and the prevailing market price or the theoretical price determined by the Clearing House, or if the Block Trade is executed at such a price that an Intra-day Margin would have been triggered had the trade been executed or as if it has been executed as a normal trade in the Central Orderbook.

2.5.3 The price at which a Block Trade is executed will not be used in establishing the day-high, day-low or last traded price of an option series. The quantity of a Block Trade will be taken into account in the updating of the traded volume of an option series.

3. (Repealed)
4. Each Options Exchange Participant shall have in place a telephone recording system to record all Block Trade orders received from and confirmation of executed Block Trades provided through the telephone. Each Options Exchange Participant shall ensure that such telephone recordings are maintained as part of its records for at least 3 months.
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.