

Operational Clearing Procedures for Options Trading Exchange Participants

IV. DUTIES AND OBLIGATIONS OF SEOCH PARTICIPANTS

8. SETTLEMENT AND DELIVERY IN RESPECT OF STOCK TRANSACTIONS

8.10 Settlement of Odd Lots and Fractional Shares Resulting from Exercise of Adjusted Contracts after Capital Adjustment

Unless otherwise expressly specified by SEOCH, the size of an option contract will generally be one board lot of the underlying shares, and SEOCH Participants will be able to settle exercised options trades in whole board lots.

However, as a result of capital adjustment to the underlying shares, SEOCH may adjust the contract size, with the result that SEOCH Participants may need to settle odd lots or fractional shares (see Chapter 14 – Capital Adjustments) on exercise. The settlement method of odd lots and fractional shares are described below.

APPENDIX D. PORTFOLIO RISK MARGINING SYSTEM OF HKEx (PRiME)

Following is an example of how the method works on an imaginary options portfolio:

EXAMPLE OF PRiME MARGINING

B) Mark-to-Market Margin. This calculates liquidation value at current market levels.

The process is clearer if we re-order the positions by account type.

Contract	Contract Size	Mark to Market Price	Marginable Position	Mark-to-Market Margin(\$) ^a
Omnibus Client Positions:				
HKZ DEC 95 C	400	6.00	20S	48,000
HKZ JAN 100 P	400	4.00	50S	80,000
				128,000
Client Offset Claim Positions:				
HKZ DEC 95 C	400	6.00	30S	72,000
HKZ JAN 100 P	400	4.00	30S	48,000
				120,000
Individual Client 001 Positions:				
HKZ DEC 95 C	400	6.00	5L	-12,000
				-12,000
House Positions:				
HKZ DEC 95 C	400	6.00	5S	12,000
HKZ JAN 100 P	400	4.00	40S	64,000
				76,000

(a) Mark-to-Market Margin for an option series = option market value * no. of contracts held * contract size.