Volatility Control Mechanism (VCM) Enhancements (Derivatives Market)
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Agenda

• Current Mechanism of Volatility Control Mechanism

• Enhancement for Volatility Control Mechanism

• Implementation Timeline
Current Mechanism of Volatility Control Mechanism
Current Mechanism of Volatility Control Mechanism

- Implemented in January 2017 to protect the market from disorderliness caused by extreme price volatility
- NOT a trading halt, NOT a suspension
- 5-minute cooling off period for trading within price band when VCM is triggered
- A light touch approach with a maximum of 1 trigger per Morning and Afternoon Session (VCM is not applicable in T+1 Session)
- No VCM trigger since launch
Enhancement for Volatility Control Mechanism
Enhancement for Volatility Control Mechanism

• Multiple triggers aims to better safeguard the derivatives markets
• Allow more than 1 trigger per Morning and Afternoon Session (VCM is not applicable in T+1 Session)
• VCM monitoring continues immediately after the end of the 5 minutes cooling off period
• Applicable to spot and spot next calendar months of the Hang Seng Index Futures, HSCEI Index Futures, Mini-Hang Seng Index Futures and Mini-HSCEI Index Futures

(1) if there is no trade concluded during the cooling-off period, the first trade concluded after the cooling-off period will become the reference price and VCM monitoring will be resumed thereafter (excluding the trades of combo vs. combo trades, tailor-made combination trades and block trades)
Implementation Timeline

- The enhancement have been deployed in the End to End Testing Environment
- Please contact our admin team at hkatssupport@hkex.com.hk to set up your access for system readiness

- Briefing Session: 1\textsuperscript{st} to 3\textsuperscript{rd} February 2021
- Practice Session: Tentative March 2021
- Launch Date: Tentative Q2 2021