

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

**Trading Operations – Derivatives Market**  
Market Division

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**HKEX**  
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# Agenda

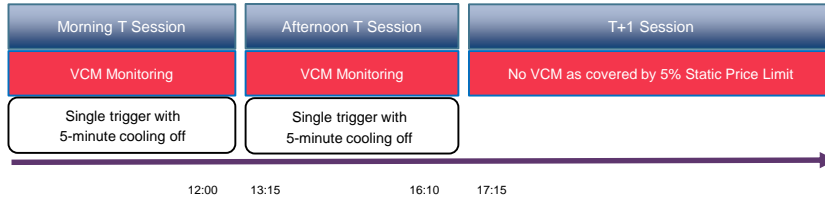
- Current Mechanism of Volatility Control Mechanism
- Enhancement for Volatility Control Mechanism
- Implementation Timeline



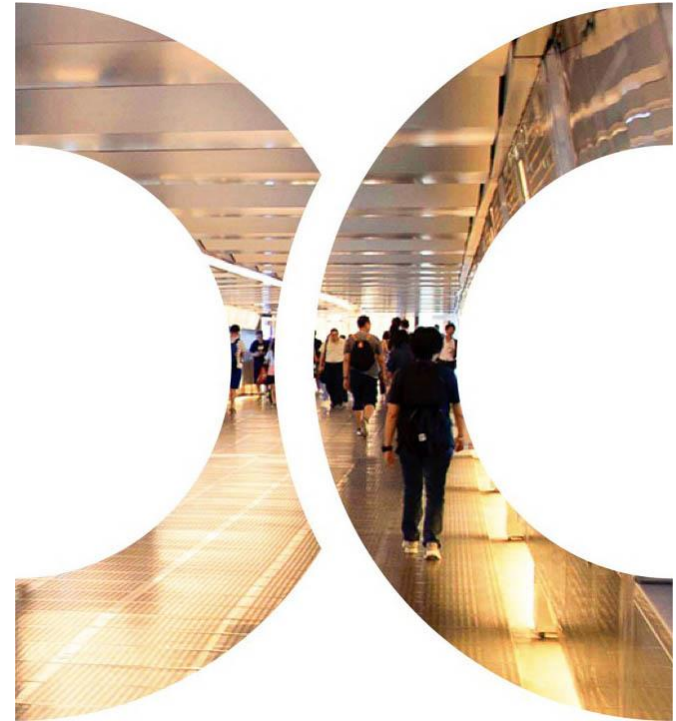
# Current Mechanism of Volatility Control Mechanism



# Current Mechanism of Volatility Control Mechanism



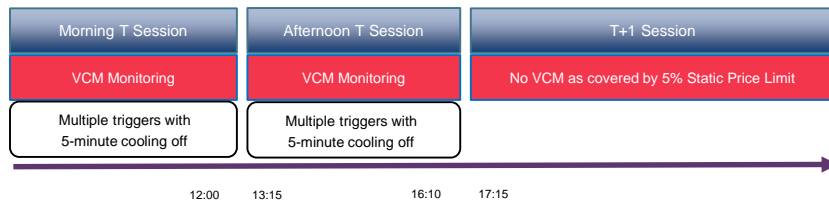
- Implemented in January 2017 to protect the market from disorderliness caused by extreme price volatility
- NOT a trading halt, NOT a suspension
- 5-minute cooling off period for trading within price band when VCM is triggered
- A light touch approach with a maximum of 1 trigger per Morning and Afternoon 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<sup>1</sup>
- 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





# Implementation Timeline

- The enhancement have been deployed in the End to End Testing Environment
  - Please contact our admin team at [hkatssupport@hkex.com.hk](mailto:hkatssupport@hkex.com.hk) to set up your access for system readiness
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- Briefing Session: 1<sup>st</sup> to 3<sup>rd</sup> February 2021
- Practice Session: Tentative March 2021
- Launch Date: Tentative Q2 2021

