

## Packaged Retail and Insurance-based Investment Products (“PRIIPs”) Regulation – Key Information Document (“KID”): The Stock Exchange of Hong Kong Short Put Options Contracts

### Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

### Product

**Product covered by this KID:** Short Put Options Contracts available for trading on the Stock Exchange of Hong Kong

**Name of product manufacturer:** The Stock Exchange of Hong Kong Limited (“SEHK”)

**Website of product manufacturer:** <http://www.hkex.com.hk>

**More information:** Call +852 2522 1122 for more information

**Competent Authority:** Securities and Futures Commission (<http://www.sfc.hk>) is responsible for supervising SEHK

**Date of production of the KID:** 30 April 2024

### You are about to purchase a product that is not simple and may be difficult to understand

#### What is this product?

**Type:** Short Put Options Contracts (with individual security listed and traded on SEHK as their underlying asset)

**Term:** SEHK products have a range of contract months on which you can choose for your contract to be settled

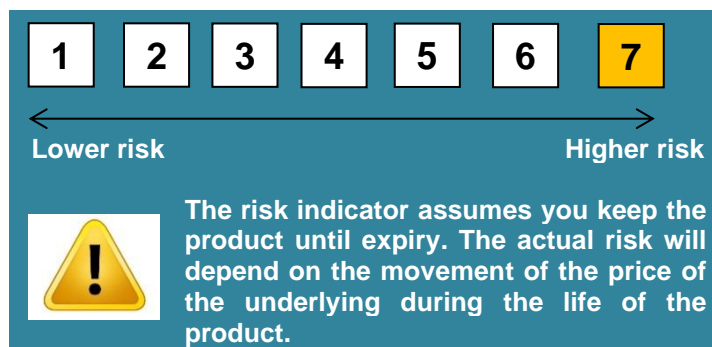
**Objectives:** This is a derivative contract under which you agree to sell to a counterparty a contract that gives your counterparty the right, but not the obligation, to sell to you: an entitlement to the underlying asset at a future date. The value of the Options Contract will be linked to the price of the underlying asset – see “Investment Performance Information” below for further information.

**Intended retail investor:** Retail investors should carefully consider whether trading this product is appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances as considerations specifically relevant to retail investors have not been taken into account in the design of the product.

#### What are the risks and what could I get in return?

##### Risk Indicator –

This product is rated as a **7 out of 7** on the basis of the risk chart below.



The summary risk indicator is a guide to the level of risk of this product. It shows how likely it is that the product will lose money because of movements in the markets.

We have classified this product as **7 out of 7**, which is the highest risk class. We have classified this product as 7 out of 7 because this product is complex, and there is a risk that you could lose considerably more money than you invested. This rates the potential losses from future performance at a very high level.

In some circumstances you may be required to make further payments to pay for losses. The total loss you may incur may significantly exceed the amount invested.

Transactions in Short Put Options Contracts traded on SEHK carry a high degree of risk. Shorting (“selling” or “writing”) a Put Options Contract generally entails considerably greater risk than purchasing a Put Options Contract. While the premium received by you is fixed, you may sustain a loss well in excess of that amount. Transactions in Short Put Options Contracts traded on SEHK are leveraged. A relatively small market movement will have a proportionately larger impact on the funds you have deposited. You may sustain a total loss of initial margin funds and any additional funds deposited and if the market moves against your position, you may be called upon to pay substantial additional funds on short notice to maintain your position. Failure to do so may result in your position being liquidated at a loss and you will be liable for any resulting deficit.

#### **Investment performance information**

Several factors could affect future returns in the product, such as but not limited to, supply and demand of the underlying asset, the outlook of supply and demand, interest rates, liquidity, market positioning, volatility of the underlying asset prices or participants view on future volatility and other factors.

Physical settled in-the-money Put Options will be settled by delivery of the underlying asset by short position holders and the payment of cash by long position holders. For physical settled in-the-money Put Options, the relevant benchmark is the price of the underlying individual security listed and traded on SEHK.

#### **What could affect my return positively?**

Positive returns in the product would depend on the movement of the price of the underlying asset or the change in the underlying volatility of the price of the underlying asset or other factors such as interest rates or the time to expiry of the option. Buying this product (i.e. selling a put option) holds that you think the underlying price may increase, or the underlying volatility will decrease, and your return may be affected positively if this holds true.

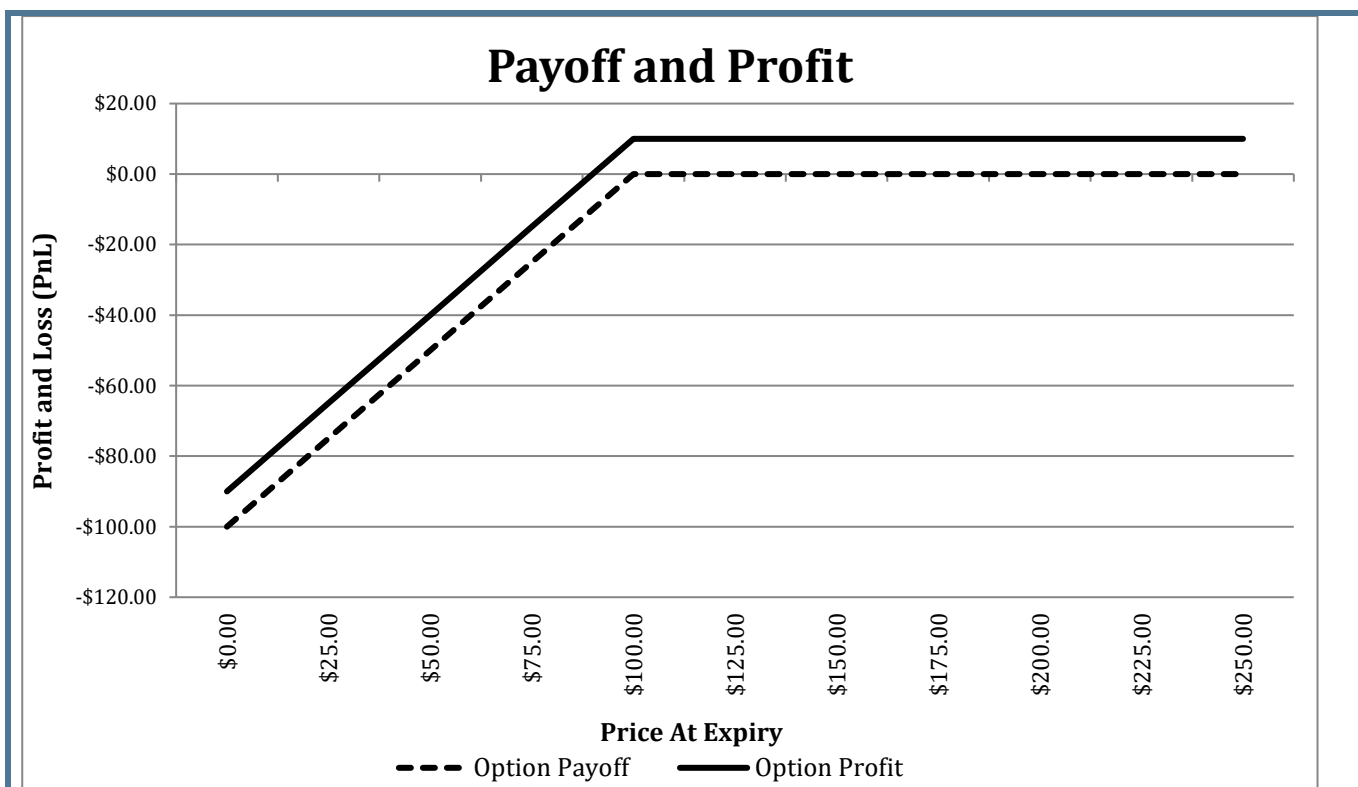
#### **What could affect my return negatively?**

Negative returns in the product would depend on the movement of the price of the underlying asset. Or the change in the underlying volatility of the price of the underlying asset or other factors such as interest rates or the time to expiry of the option. Buying this product (i.e. selling a put option) holds that you think the underlying price may increase, or the underlying volatility will decrease and your return will be affected negatively if this does not hold true. Changes in interest rates and the time to expiry may also negatively affect your return. For a short put position your loss is theoretically unlimited. Your contract with your broker may include a contractual limitation on your maximum loss, but this would be a matter to be confirmed with the broker that has sold you the product.

The graph below assumes a short put position with a strike price of HKD \$100 has been sold for HKD \$10. It illustrates how your investment could perform. You can compare them with the pay-off graphs of other derivatives. The figures shown include all the costs of the product itself, but do not include any transactional costs that you pay to your broker. The figures do not take into account your personal tax situation, which may also affect how much you get back.

The graph presented gives a range of possible outcomes and is not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying value on the expiry date and the vertical axis shows the profit or loss.

In the event that this product is settled in circumstances where there are severely adverse market conditions, it is possible that you may not recover your expected return.



### What happens if SEHK is unable to pay out?

SEHK is a market operator and will not be a counterparty to the Contracts entered into by its Participants. This product is registered and cleared by The SEHK Options Clearing House Limited ("SEOCH"), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited. SEOCH acts as the counterparty to the Contracts, which effectively eliminates counterparty risks between its Participants. SEOCH's acting as central counterparty does not cover any Participant's obligations to its clients. Investors should exercise due care and diligence when deciding through whom they will conduct business. There are circumstances where investors may face a financial loss due to the default of the broker. Please refer to your broker for further information, including whether it will be possible to claim under any investor compensation scheme in the event of your broker's default. We suggest you consult with your broker to confirm what arrangements may apply in the event of their default and potential options for mitigating your risks of loss in such circumstances.

### What are the costs?

SEHK does not charge retail clients directly. The person selling you or advising you about this product (your broker) may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will affect your investment over time. In the interests of transparency, details of trading and clearing fees that your broker pays when trading on SEHK can be found here: [http://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Fees/Listed-Derivatives/Trading/Transaction?sc\\_lang=en](http://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Fees/Listed-Derivatives/Trading/Transaction?sc_lang=en).

### How long should I hold it and can I take money out early?

**Recommended holding period:** There is no recommended or minimum holding period. SEHK Options Contracts have a range of expiry dates which you can choose or you can close out your position in the open market before expiry. Which expiry date to choose and whether or not to hold until expiration will depend on your investment strategy and your risk profile. Please speak to your broker for further information.

### How can I complain?

In the first instance we recommend you speak to your broker in relation to any complaints. Complaints to SEHK can be made by mail, email, fax or via hotline. The complaint should include sufficient information to allow SEHK to properly identify the trade(s) or activity complained of and establish the basis for any alleged loss. Details of SEHK's complaints procedure are available at [http://www.hkex.com.hk/Global/Exchange/Contact?sc\\_lang=en](http://www.hkex.com.hk/Global/Exchange/Contact?sc_lang=en). Complaints regarding intermediaries, including Participants of SEHK, can also be made to the Securities and Futures Commission. Details of the Securities and Futures Commission's complaints procedure are set out in <http://www.sfc.hk/web/EN/lodge-a-complaint/>.

### Other relevant information

For further details on our market, our rulebook and product and clearing specifications please see [http://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Rules/SEHK/Options-Trading-Rules/Rules?sc\\_lang=en](http://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Rules/SEHK/Options-Trading-Rules/Rules?sc_lang=en) or speak to your broker.