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**香港聯合交易所有限公司**

(香港交易及結算所有限公司全資附屬公司)

**The Stock Exchange of Hong Kong Limited**

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

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**通告 CIRCULAR**

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事項 期權交易規則及期權買賣交易所參與者交易運作程序之修訂  
Subject: Amendments to the Options Trading Rules and the Operational Trading Procedures for Options Trading Exchange Participants

查詢  
Enquiry : Mr. Francis Tse 2211 6152

Holders of Stock Exchange Trading Rights and Exchange Participants are requested to note that the Securities and Futures Commission has approved amendments to the Options Trading Rules and the Operational Trading Procedures for Options Trading Exchange Participants to facilitate the trading of RMB denominated option classes.

The amendments, as set out in Appendices 1 and 2, will take immediate effect.

The marked-up version of the amendments can be downloaded from the following sections of the HKEx website:

- "Rule Update - Options Trading Rules of the Stock Exchange"
- "Rule Update - Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange"

Christine Wong  
Chief Counsel & Head  
Legal Services Department

請各位聯交所交易權持有人及交易所參與者注意，證券及期貨事務監察委員會已批准期權交易規則及期權買賣交易所參與者交易運作程序，有關促進以人民幣計價期權類別交易之修訂。

載於附件一及二（只有英文版）之修訂由即日起生效。

有關規則的標明修訂本可在香港交易所網站中下載：

- "規則修訂 - 期權交易規則 - 聯交所"
- "規則修訂 - 期權買賣交易所參與者交易運作程序 - 聯交所"

法律服務部  
首席法律顧問及主管  
黃凱明 謹啟

**香港交易及結算所有限公司**  
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Options Trading Rules

**CHAPTER 1**

**DEFINITIONS AND INTERPRETATION**

**Definitions**

101. In these Options Trading Rules, unless the context otherwise requires:-

- "Currency of the Contract" has the same meaning as in the Clearing Rules;
- "Hong Kong dollars" or "HK\$" means the lawful currency of Hong Kong;
- "Renminbi" or "RMB" means the lawful currency of the People's Republic of China excluding, for the purposes of this definition only, Hong Kong, Macau and Taiwan;
- "Settlement Currency" has the same meaning as in the Clearing Rules;

**SECOND SCHEDULE**

**MARKET MAKER OBLIGATIONS**

2. A Market Maker's obligations, in respect of each trading day, shall commence five minutes after market opens or when the bid/offer spread in the underlying security is at the minimum allowed under the Exchange Rules, whichever occurs earlier.
3. The maximum bid/offer spread is as follows:

Option Series	Option Class	
	Liquidity Level 1	Liquidity Level 2
Spot month with 3 days or less to expiry	20% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot month with 4 days or more to expiry and the two next calendar expiry months	10% of the bid price of the quote or 3 times the best bid/offer spread of the underlying securities, whichever is the lower.	10% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.
The next 2 calendar quarter expiry months	20% of the bid price of the quote or 4 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 6 times the best bid/offer spread of the underlying securities, whichever is the lower.
The 3rd calendar quarter expiry month and any other longer-dated expiry month as the Exchange deems necessary	20% of the bid price of the quote or 8 times the best bid/offer spread of the underlying securities, whichever is the lower.	20% of the bid price of the quote or 12 times the best bid/offer spread of the underlying securities, whichever is the lower.

Notwithstanding the above, a Market Maker will not be obliged to quote a spread narrower than the best bid/offer of the underlying security (at the time of issuing the quote) plus 5 minimum price fluctuations (if the numerical value of the nominal price of such underlying security is below 100) or plus 10 minimum price fluctuations (if the numerical value of the nominal price of the underlying security is equal to or above 100), and a Market Maker will not be obliged to quote for the bid side in response to a quote request for a far out-of-the-money Contract which has a value near zero. A Market Maker shall remain obliged to quote for the sell side by issuing a sell limit order with a limit price no greater than 10 minimum price fluctuations within the required response time and for the minimum required quantity and duration.

7. Market Makers will be entitled to a reduced trading tariff as set forth in Appendix A to the Operational Trading Procedures upon meeting the market making obligation requirements on a monthly basis.
10. A Market Maker, in responding to a quote request, is not required to bid if the offer is at or below 10 minimum price fluctuations.

## SIXTH SCHEDULE

### STANDARD CONTRACT

3. **Price:** The price which determines the Premium payable in respect of an Options Contract shall be quoted in the same currency as that in which the underlying securities are traded on the Exchange by reference to one share of the underlying securities.
4. **Premium:** The Premium payable in respect of an Options Contract shall be the product of the price and the number of underlying securities comprised in the lot the subject of such Options Contract. The buyer shall pay, and the seller shall receive, the Premium on the day and by the time specified for that purpose in the Rules. All payments of Premium shall be in the Settlement Currency and shall be effected in the manner specified for that purpose in the Rules.
12. **Definitions:** The definitions that follow form part of these terms and conditions.

In these terms and conditions, words and expressions defined in the Rules have the same meanings and, in addition, the following words and expressions have the following meanings:-

"Settlement Amount", in respect of an Options Contract which has been exercised, means the amount in the Settlement Currency equal to the product of the strike price and the number of underlying securities comprised in the lot the subject of such Options Contract; and

期權交易規則

第一章

定義及釋義

定義

101. 除文意另有所指外，在期權交易規則中，

- |           |                                     |
|-----------|-------------------------------------|
| 「合約貨幣」    | 其含義與結算規則所界定者相同；                     |
| 「人民幣」     | 指中華人民共和國（僅就本定義而言，不包括香港、澳門及台灣）的法定貨幣； |
| 「結算貨幣」    | 其含義與結算規則所界定者相同；                     |
| 「港幣」或「港元」 | 指香港的法定貨幣；                           |

附表二

莊家的責任

- 莊家責任須於每個交易日開市後五分鐘或正股的買賣盤差價正處於交易所規則所容許的最低差價時開始，取兩者之中之較先發生者。
- 最大的買賣盤差價為：

期權系列	期權類別	
	流通量水平 1	流通量水平 2
即月，離到期日不多於 3 天	買盤價的 20% 或正股的最佳買賣盤差價的 3 倍，以較低者為準	買盤價的 20% 或正股的最佳買賣盤差價的 4 倍，以較低者為準
即月，但離到期日最少 4 天及最近的兩個到期月份	買盤價的 10% 或正股的最佳買賣盤差價的 3 倍，以較低者為準	買盤價的 10% 或正股的最佳買賣盤差價的 4 倍，以較低者為準
之後的 2 個季月	買盤價的 20% 或正股的最佳買賣盤差價的 4 倍，以較低者為準	買盤價的 20% 或正股的最佳買賣盤差價的 6 倍，以較低者為準
第 3 個季月及由交易所因應需要而加入的任何較長期的到期月份	買盤價的 20% 或正股的最佳買賣盤差價的 8 倍，以較低者為準	買盤價的 20% 或正股的最佳買賣盤差價的 12 倍，以較低者為準

縱使如此，莊家將不會有責任提供少於正股最佳買／賣差價（於發出報價時）加 5 個最低價格波幅（如正股的按盤價數值少於 100）或加 10 個最低價格波幅（如正股的按盤價數值等於 100 或以上）之報價，莊家也不會有責任就價值接近零的極價外合約回應買盤報價要求。不過，莊家仍有責任在所需回應時限內，發出價格上限不超過 10 個最低價格波幅的限價賣盤報價，當中報價所涉及證券的數量及報價有效時間須符合有關最低規定。

7. 只要符合莊家每月的作價買賣責任要求，莊家將可獲減收交易系統使用費（詳情載於交易運作程序附錄 A）。
10. 莊家對開價盤作出回應時，倘賣盤為 10 個最低價格波幅或以下者，並非務必落買盤。

### 附表六

#### 標準合約

3. **價格：**用以決定有關期權合約應付的期權金的買賣價，以正股一股為單位，並以正股在交易所買賣的同一貨幣報價。
4. **期權金：**就期權合約所須支付的期權金乃有關期權合約內所載每手所包括的正股數目乘以其價格所得的乘積。買家與賣家須按規則所訂定之日期及時間支付及收取期權金。期權金的所有付款均須以結算貨幣作出，並按照規則所訂定之形式執行。
12. **定義：**以下定義構成此等條款及條件的一部分。

規則所界定的有關詞語及措辭在此條款及條件中具有相同含義。此外，下列詞語具有下列含義：

「交收額」就有關已行使的期權合約而言，指相等於行使價乘以該期權合約內所載每手所包括的正股的數目所得的乘積，以結算貨幣計的數額；及

## Operational Trading Procedures for Options Trading Exchange Participants

### **Chapter 3 : Trading Functionalities**

#### **3.4 Notation of Contract Specifications**

An options contract on HKATS is represented by the following:

<Class><Strike><Month><Year>

where <Class> denotes the 3-character code allocated to an options class in HKATS

<Strike> denotes the 4-digit strike price with 2 decimal places

<Month> denotes the 1-character expiry month code

<Year> denotes the 1-digit contract year code.

For example, a put option on a stock of which the class code is HKZ and adjusted class code is HKY after one capital adjustment, and of which the expiry is in September and strike price is HK\$10.00 is denoted as “HKY10.00U1” in HKATS.

### **Chapter 4 : Market Making**

#### **4.12 Obligations of a Market Maker**

The *Options Trading Rules* stipulate the obligations of a Market Maker.

### **Chapter 5 : Client Services Support**

#### **5.8 Settlement of Client Premium**

The *Options Trading Rules* requires that client premium be collected in cash promptly. The following are considered by the Exchange as cash settlement of client premium:

- cash receipt
- bank account transfer
- a cheque drawn on a bank, not post-dated

## Chapter 8: Special Events

### 8.3 Standard Adjustment Methodology

For each adjustment, there will be an adjustment ratio. In each case, the old exercise price of the option contract will be **multiplied** by this adjustment ratio to obtain the **adjusted exercise price**. The corresponding **adjusted contract size** is obtained by **dividing** the old contract value by the adjusted exercise price. The old contract value is simply the product of the old exercise price and the old contract size.

The following table describes the rules for all the standard capital adjustment events.

<b>Figure 1: Standard Terms of Capital Adjustments</b>		
<b>Event</b>	<b>Adjusted Exercise Price (AEP) =</b>	<b>Adjusted Contract Size (ACS) =</b>
<p><b>Rights Issue</b></p> <p>‘A’ new shares for ‘B’ old shares at C amount per share; where it closes at closing price S on the last trading day prior to ex-rights day</p>	<p>Old Exercise Price (OEP) times:</p> $\frac{B + (A * C / S)}{A + B}$	$\frac{OEP * \text{Old Contract Size}}{AEP}$
<p><b>Bonus Issue</b></p> <p>‘A’ new shares for ‘B’ old shares</p>	<p>Old Exercise Price (OEP) times:</p> $\frac{B}{A + B}$	$\frac{OEP * \text{Old Contract Size}}{AEP}$
<p><b>Share Consolidation</b></p> <p>X shares consolidate into Y shares</p>	<p>Old Exercise Price (OEP) times:</p> $\frac{X}{Y}$	$\frac{OEP * \text{Old Contract Size}}{AEP}$
<p><b>Share sub-division</b></p> <p>X shares sub-divided into Y shares</p>	<p>Old Exercise Price (OEP) times:</p> $\frac{X}{Y}$	$\frac{OEP * \text{Old Contract Size}}{AEP}$
<p><b>Other forms of Cash Distribution (CD), such as a special dividend, cash bonus or extraordinary dividend</b></p> <p>No capital adjustment unless CD is 2% or more of the share's closing price on the dividend announcement day.</p> <p>OD is ordinary cash dividend.</p> <p>The share closes at closing price S on the day prior to the ex-date.</p>	<p>Old Exercise Price (OEP) times:</p> $\frac{S - OD - CD}{S - OD}$ <p>Note: OD shall be deducted from S only if OD and CD have the same ex-date.</p>	$\frac{OEP * \text{Old Contract Size}}{AEP}$
The shaded area is the “adjustment ratio”		

In cases where a cash or scrip alternative is offered, the adjustments will be based on the cash version of the payout. If the cash payment is in a currency other than that in which the underlying securities are traded, it will be converted to that currency at the conversion rate determined by SEOCH.

## APPENDIX A: FEES & COSTS PAYABLE TO THE EXCHANGE

### A2 Training Fees

Training Fees	Amount
Course fee (Part I) - Exchange Participant	HK\$300
Course fee (Part II) - Exchange Participant	HK\$300
Course fee (Part I) - non-Exchange Participant	HK\$300
Course fee (Part II) - non-Exchange Participant	HK\$300

### A3 Trading Expenses

For Hong Kong dollar-denominated option classes

Fee Type	Charge Scale
Trading Tariff	
a. Contract Premium > HK\$0.01	
(I) For Tier 1 Stocks	
Non-Market Maker	HK\$3 per contract side
Market Maker	
1. which has responded to 70 percent or more quote requests in a month	HK\$1.50 per contract side
2. which has responded to less than 70 percent of quote requests in a month	HK\$3 per contract side
3. which has provided continuous quotes in the assigned option series for 70 percent or more of the trading hours in a month	HK\$1.50 per contract side
4. which has provided continuous quotes in the assigned option series for less than 70 percent of the trading hours in a month	HK\$3 per contract side
(II) For Tier 2 Stocks	
Non-Market Maker	HK\$1 per contract side
Market Maker	
1. which has responded to 70 percent or more quote requests in a month	HK\$0.80 per contract side
2. which has responded to less than 70 percent of quote requests in a month	HK\$1 per contract side
3. which has provided continuous quotes in the assigned options series for 70 percent or more of the trading hours in a month	HK\$0.80 per contract side
4. which has provided continuous quotes in the assigned option series for less than 70 percent of the trading hours in a month	HK\$1 per contract side
b. Contract Premium = HK\$0.01 (Cabinet Trade)	Nil

For RMB-denominated option classes

Fee Type	Charge Scale
Trading Tariff	
a. Contract Premium > RMB0.01	
(I) For Tier 1 Stocks	
Non-Market Maker	RMB2.50 per contract side
Market Maker	
1. which has responded to 70 percent or more quote requests in a month	RMB1.30 per contract side
2. which has responded to less than 70 percent of quote requests in a month	RMB2.50 per contract side
3. which has provided continuous quotes in the assigned option series for 70 percent or more of the trading hours in a month	RMB1.30 per contract side

4. which has provided continuous quotes in the assigned option series for less than 70 percent of the trading hours in a month	RMB2.50 per contract side
(II) For Tier 2 Stocks Non-Market Maker Market Maker	RMB0.90 per contract side
1. which has responded to 70 percent or more quote requests in a month	RMB0.70 per contract side
2. which has responded to less than 70 percent of quote requests in a month	RMB0.90 per contract side
3. which has provided continuous quotes in the assigned options series for 70 percent or more of the trading hours in a month	RMB0.70 per contract side
4. which has provided continuous quotes in the assigned option series for less than 70 percent of the trading hours in a month	RMB0.90 per contract side
b. Contract Premium = RMB0.01 (Cabinet Trade)	Nil

#### A4 HKATS-Related Charges

Fee Type	Fee
CLICK or OAPI sub-license fee	HK\$1,750 per month per CLICK or OAPI
Installation or termination of CLICK workstations	HK\$800 per workstation
Access to the testing environment	HK\$100 per day or part thereof provided that no access fee will be charged for the first 5 business days
Performance of login test or transaction test outside of the hours from 9 a.m. to 6 p.m.	HK\$1,000 per day or part thereof regardless of test results
OAPI certification	HK\$2,000 per test regardless of test results
Resetting of password or reissuing of password notification letter	HK\$200 per user per occurrence

#### A5 Emergency Costs

Service	Costs	Remarks
Rentals for CLICK workstations in SOS centre	HK\$1,000 per day or part thereof	Inclusive of a telephone set. Subject to availability.
Re-Print of reports	HK\$5 per page up to HK\$1,000 per report	Subject to availability.
On-Behalf-Of processing except bulk deletion	HK\$50 per accepted and executed transaction	1. Inclusive of Printed Trade Confirmation. 2. Exclusive of trading and clearing tariff.
On-Behalf-Of processing for bulk deletion	HK\$1,000	This includes deletion of more than 20 orders in one class or in all classes.
Error Trade	HK\$3,000 payable by the party which initiated the claim	

## APPENDIX B: OPTIONS CONTRACT SPECIFICATIONS

### B1 Options Contracts

The Chief Executive may, in consultation with the Commission, introduce an option class for trading from time to time. The options traded at the Exchange are conventional, American style put and call options on selected stocks which are listed on the Exchange, with physical delivery on exercise. Exchange Participants shall be notified of the introduction of any option classes accordingly.

A stock is eligible to be an underlying stock of an option class if it has been listed on the SEHK for a period of either:

- a) 60 consecutive trading days during which dealing in the shares of the stock has not been suspended; or
- b) not more than 70 consecutive trading days comprising 60 trading days during which dealing in the shares of the stock has not been suspended, i.e. not more than 10 trading days of trading suspension during the 70 consecutive trading days; and

the public float capitalisation (i.e. stocks in the hands of the public pursuant to Chapter 8 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the stock is at least HK\$4 billion (or an equivalent amount) except where the public float capitalisation of the stock exceeds HK\$10 billion (or an equivalent amount), in which case the requirements set forth in paragraphs (a) and (b) above may be exempted.

### B5 Strike Price Intervals

The intervals between strike prices are as shown below.

<b>Strike Price (amount in the Currency of the Contract)</b>	<b>Interval Group A (amount in the Currency of the Contract)</b>	<b>Interval Group B (amount in the Currency of the Contract)</b>
From 0.01 and up to 2	0.10	0.05
Above 2 and up to 5	0.20	0.10
Above 5 and up to 10	0.50	0.25
Above 10 and up to 20	1.00	0.50
Above 20 and up to 50	2.00	1.00
Above 50 and up to 100	5.00	2.50
Above 100 and up to 200	5.00	2.50
Above 200 and up to 300	10.00	5.00
Above 300 and up to 500	20.00	10.00

**B7 Tick Size**

The tick size, or minimum price fluctuation, of the stock option premium is one minimum price fluctuation for all premium level.

**B11 Tier Levels**

All option classes are classified into two tiers. Different trading tariffs are applicable to Tier 1 and Tier 2 option classes as specified in Appendix A. Unless otherwise expressly specified by the Exchange, the tier level of an option class is determined by the nominal value\* of one board lot of the underlying stock fixed before introduction of the option class. An option class with a nominal value above HK\$20,000 (or an equivalent amount) will be classified as Tier 1 and an option class with a nominal value of HK\$20,000 (or an equivalent amount) or less will be classified as Tier 2.

Any determination of a tier level for a new option class will be notified to Options Trading Exchange Participants via HKATS, email or such other means as the Exchange considers appropriate.

\* The nominal value will be determined according to the closing price of the underlying stock one trading day before the consultation with the Commission. When the underlying stock has no prior trading on the Exchange, the offer price per share of the public offering of the underlying stock (exclusive of brokerage, Transaction Levy and Investor Compensation Levy) will be used and in the event that the offer price is not available, the lowest offer price of the indicative offer price range stated in the prospectus will be used.

To: **THE STOCK EXCHANGE OF HONG KONG LIMITED**  
(a wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd)

**DERIVATIVES MARKET**

10/F One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Hotline : 2211 6360  
Fax: 2509 0724 / 2877 0017

**REQUEST FOR ON-BEHALF-OF PROCESSING**

**Particulars of Exchange Participant**

Mnemonic / Firm ID	Participant Name
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**Contact Person**

Name	Tel	Fax
Position	E-mail	

**Details**

Type of Transaction Processed	Number of Orders

**Fee**

Bulk deletions involving more than 20 orders: HK\$1,000 per bulk deletion  
Transactions other than bulk deletions: HK\$50 per transaction

Total Fee: HK\$\_\_\_\_\_

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Signatory

To: **THE STOCK EXCHANGE OF HONG KONG LIMITED**  
(a wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd)

**DERIVATIVES MARKET**

10/F One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong  
(Ref: DMDO)

Hotline : 2211 6360  
Fax: 2509 0724 / 2877 0017

**REQUEST FOR RENTAL OF CLICK WORKSTATION IN SOS CENTRE**

**Particulars of Exchange Participant**

Mnemonic / Firm ID	Participant Name
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**Contact Person**

Name	Tel	Fax
Position	E-mail	Mobile

**Details**

Authorized Person(s) working at the SOS Centre

Name	HKID No.

Reason for rental of CLICK workstation in SOS Centre	
No. of workstations requested	
Date	Time

**Fee**

HK\$1,000 per workstation per day

\_\_\_\_\_  
Authorized Signature  
with company chop

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Signatory



TO:

**THE STOCK EXCHANGE OF HONG KONG LIMITED**

10/F, One International Finance Centre  
 1 Harbour View Street  
 Central, Hong Kong  
 (Ref: DMDO)

Fax: 2509 0724  
 2877 0017  
 Hotline: 2211 6360

**REPORT OF CLIENT DEFAULT**

From:

Exchange Participant Name	Exchange Participant Firm ID
Defaulting Client (Beneficial Owner)	Date of Default

Open Client Positions

SERIES/STOCK	LONG	SHORT

Client Collateral

Cash / Stock	Amount / Number of Shares

Margin Requirement \_\_\_\_\_ (currency / amount)  
 Simplified Formula       Risk Array Model

Actions to Take

\_\_\_\_\_

\_\_\_\_\_

Signature of Responsible Officer \_\_\_\_\_  
 (Please affix company chop)

Date \_\_\_\_\_

FOR EXCHANGE USE				
SIG. VERIFIED	CONFIRMED			

## **APPENDIX H: CLIENT MARGINING USING THE PRiME CALCULATION ALGORITHM**

### **H1. Margin Required in Respect of Client, NCP or Options Broker Exchange Participant**

Client positions allocated to the Client Account or client positions allocated to the House Account (i.e. affiliate positions) being margined by an Options Exchange Participant, open positions of an NCP being margined by a GCP and open positions of an Options Broker Exchange Participant being margined by an Options Trading Exchange Participant should be margined by using the PRiME Calculation Algorithm. If positions of a client are allocated to the Client Account, the client must be margined gross in the same way as SEOCH margins the Omnibus Client Account. However, the open positions of a particular client of an Options Exchange Participant can be margined net provided that:

- i in the case of an Options Trading Exchange Participant which is a SEOCH Participant, it has maintained an Individual Client Account with SEOCH to record the open positions of a particular client on a net basis or, in respect of short open positions of a particular client which are eligible for margin offset, it has recorded such positions in a Client Offset Claim Account maintained by the Options Trading Exchange Participant with SEOCH;
- ii in the case of an Options Trading Exchange Participant which is an NCP, it has requested its designated GCP to maintain an Individual Client Account with SEOCH to record the open positions of a particular client on a net basis or, in respect of short open positions of a particular client which are eligible for margin offset, it has requested its designated GCP to record such positions in a Client Offset Claim Account maintained by the designated GCP with SEOCH, and the designated GCP has maintained an Individual Client Account or a Client Offset Claim Account with SEOCH in that regard; or
- iii in the case of an Options Broker Exchange Participant, it has requested the Options Trading Exchange Participant with whom it maintains an omnibus account to maintain with SEOCH an Individual Client Account to record the open positions of a particular client on a net basis or, in respect of short open positions of a particular client which are eligible for margin offset, to record such positions in a Client Offset Claim Account maintained by the Options Trading Exchange Participant with SEOCH, and the Options Trading Exchange Participant with whom it maintains an omnibus account has maintained an Individual Client Account or a Client Offset Claim Account with SEOCH in that regard.

In such case, that particular client of the Options Exchange Participant may be margined on a net basis.

Options Exchange Participants should margin their clients, NCPs or Options Broker Exchange Participants using the same algorithm as that employed by SEOCH but with a wider margin interval as prescribed by SEOCH. The corresponding Risk Parameters File will be provided by SEOCH to SEOCH Participants to facilitate their calculation of margin requirements.

In exceptional cases, an Options Exchange Participant may margin a client, NCP or Options Broker Exchange Participant using the same margin interval as SEOCH. To qualify for such margining, the Options Officer of the Options Exchange Participant must make a determination in writing that the financial resources and the margin payment arrangement made by the client, NCP or Options Broker Exchange Participant justify such treatment. The Options Exchange Participant must notify the Exchange in writing directly in respect of every such determination made.

**H2. [Repealed]**

**H3. EXAMPLE**

**H3.1 Writing an uncovered out-of-the-money Call**

An investor writes one uncovered HKZ Jun 50 Call. The Currency of the Contract is Hong Kong dollars and the lot size is 1,000 shares. The current premium is HK\$5. The current market price of the underlying share, HKZ, is HK\$48.

Basic Requirement

Current premium	HK\$ 5,000	
+ 20% x HK\$48,000	<u>+ 9,600</u>	
	14,600	
- Out-of-the-money amount i.e. (HK\$50-HK\$48)*1,000	<u>- 2,000</u>	
Margin required	HK\$12,600	(i)

Minimum Requirement

Current premium	HK\$ 5,000	
+ 10% x HK\$48,000	<u>+ 4,800</u>	
Margin required	HK\$ 9,800	(ii)

The margin required is the greater of (i) and (ii) i.e. HK\$12,600.

**H3.2 Writing an uncovered in-the-money Put**

An investor writes one uncovered CHX Mar 60 Put. The Currency of the Contract is Hong Kong dollars. Its current premium is HK\$11.00. The current market price of CHX is HK\$50. The lot size is 500.

Basic Requirement

Current premium (500 x HK\$11)	HK\$ 5,500	
+ 20% x HK\$25,000	<u>+ 5,000</u>	
	10,500	
- Out-of-the-money amount	<u>- 0</u>	
Margin required	HK\$10,500	(i)

Minimum Requirement

Current premium	HK\$ 5,500	
+ 10% x HK\$25,000	<u>+ 2,500</u>	
Margin required	HK\$ 8,000	(ii)

The margin required is the greater of (i) and (ii), i.e., HK\$10,500.

**H3.3 Writing a Covered Call**

A client is considered to have written a covered call if he owns the underlying stock.

The number of shares held must not be less than the number of shares over which the call options are granted. Any options written in excess of the shares held will not be considered covered. The securities covering the option must have been lodged with SEOCH as coverage and must be deposited into the A1 account.

The writer of a covered call need not deposit margin for the option.

**H3.4 Pending Stock Delivery**

An investor is required to deliver 10 lots of stock HKZ at an exercise price of HK\$100 as a result of assignment. The board lot size of HKZ is 1,000.

If the underlying price is HK\$110, the margin required from him is the maximum of :

1.  $((120\% * \text{HK}\$110) - \text{HK}\$100) * 10 * 1,000 = \text{HK}\$320,000$
2. 0

which is HK\$320,000.

If the underlying price is HK\$83, the margin required from him is the maximum of :

1.  $((120\% * \text{HK}\$83) - \text{HK}\$100) * 10 * 1,000 = - \text{HK}\$4,000$
2. 0

which is HK\$0.

**H3.5 Pending Stock Receipt**

An investor is required to pay for 10 lots of stock HKZ at an exercise price of HK\$100 as a result of assignment. The board lot size of HKZ is 1,000.

If the underlying price of HKZ is HK\$90, the margin required from him is the maximum of:

1.  $(\text{HK}\$100 - (80\% * 90)) * 10 * 1,000 = \text{HK}\$280,000$
2. 0

which is HK\$280,000.

If the underlying price is HK\$127, the margin required from him is the maximum of:

1.  $(\text{HK}\$100 - (80\% * \text{HK}\$127)) * 10 * 1,000 = - \text{HK}\$16,000$
2. 0

which is HK\$0.

### H3.6 Short a Straddle or a Strangle

An investor sells the following straddle on CHZ, with Hong Kong dollars as its Currency of the Contract and a board lot size of 100:

Sell 10 CHZ May 50 Puts  
 Sell 10 CHZ May 50 Calls

To determine the margin for the position, first calculate whether the short calls or short puts have the greater margin requirement.

If the current premium for the put is HK\$3 and the call is HK\$7, and CHZ is currently worth HK\$52, then

<u>Margin for Calls</u>		<u>Margin for Puts</u>	
Current premium	HK\$ 7,000	Current premium	HK\$ 3,000
+ 20% x HK\$52 x 10 x 100	+ 10,400	+ 20% x HK\$52 x 10 x 100	+ 10,400
	17,400		13,400
- Out-of-the-money	- 0	- Out-of-the-money	- 2,000
Margin requirement	HK\$17,400	Margin requirement	HK\$11,400

The margin required for the calls is greater than that for the puts. Therefore, the put premium (HK\$3,000) is added to the call margin (HK\$17,400) resulting in a total margin requirement of HK\$20,400.

### H3.7 Short a Covered Spread

An investor writes the following covered spread:

Buy 10 HKZ Jul 50 Call  
 Sell 10 HKZ Jun 55 Call

The margin requirement is zero as the long is more in-the-money and expires later than the short.

### **H3.8 Short a Hedged Spread**

An investor writes the following hedged spread on HKZ, with Hong Kong dollars as its Currency of the Contract and a board lot size of 1,000:

Sell 10 HKZ Jun 50 Call  
Buy 10 HKZ Jul 55 Call

- (1) Difference between the strike prices of the spread:  $\text{HK\$}5 \times 10 \times 1,000 = \text{HK\$}50,000$
- (2) If the current premium for the Jun 50 Call is HK\$5, and the stock HKZ is now at HK\$48, then by H3.1, the margin requirement on the short position alone is  $\text{HK\$}12,600 \times 10 = \text{HK\$}126,000$ .

The margin requirement for a hedged spread is the lesser of (1) i.e. HK\$50,000 and (2) i.e. HK\$126,000, which is HK\$50,000.

### **H3.9 Short an Unhedged Time Spread**

An investor writes the following unhedged time spread on HKZ, with Hong Kong dollars as its Currency of the Contract and a board lot size of 1,000:

Sell 10 HKZ Jun 50 Call  
Buy 10 HKZ Mar 55 Call

If the current premium for the Jun 50 Call is HK\$5 and HKZ is now at HK\$48, then the margin requirement is that for the short position alone, which, as given in H3.1, is  $\text{HK\$}12,600 \times 10 = \text{HK\$}126,000$ .