

This product sheet is for the purpose of providing guidance to structured products issuers on general product terms. Structured products issuers should consult the Exchange if terms of structured products are deviated from the requirements set out in this product sheet. Investors should refer to the actual terms of the products set out in listing documents in considering their investment decision.

Callable Bull Bear Contract (CBBC)

General Product Terms

A CBBC gives its holders the right (but not the obligation) to buy (i.e. bull) or sell (i.e. bear) an underlying asset at a predetermined strike price / level on the expiry date. When the price / level of its underlying asset hits the call price / level, a mandatory call event of the CBBC will be triggered and the CBBC will be terminated.

Product Terms	
Product class	Leveraged structured product
Style	European ¹
Category	Residual value (R) No residual value (N)
Type	Bull or Bear
Issue size	Minimum of HK\$10 million in market capitalization
Issue price	(a) Minimum of HK\$0.25 (not applicable to further issue) (b) Minimum of HK\$0.15 for emulation issue
Underlying asset	<u>Securities listed on the Exchange</u> (a) A company ² which is among the top 30 securities with highest turnover value for the previous three-month period and is listed on the Exchange for not less than three months; and (b) A company ² which has a minimum public float capitalization of HK\$10 billion at end of the period <u>Indices</u> The Exchange may consider eligibility of overseas stocks and other assets with reference to the factors for consideration set out in the New Product Guide The latest list of eligible underlying ³ is set out in the List of eligible underlying assets

¹ Structured products issuers proposing to issue American-style CBBC should provide detailed terms and arrangements for the Exchange's consideration.

² Includes an exchange traded fund.

³ The list is updated quarterly.

Product Terms	
Expiry date	(a) At least three months and not more than five years (not applicable to further issue) from the date of listing (b) In respect of emulation issue, the tenor should be at least three months and not more than five years (c) In respect of using futures contracts for settlement reference, the expiry date should generally be the same as that of futures contracts
Conversion ratio	<u>Listed securities</u> (a) One, five, ten, 50, 100 or 500 CBBCs for one share or (b) One CBBC for one, ten or 100 shares <u>Indices</u> No specific requirements
Board lot	<u>Listed securities</u> (a) One board lot of the CBBC is entitled to a whole number of board lots of the underlying security; or (b) One board lot of the CBBC is entitled to one tenth of a board lot of the underlying security (applicable to cash settlement only) <u>Indices</u> 10,000 CBBCs
Trading / settlement currency⁴	HKD, USD or CNY
Further issue	(a) An issuer may only launch a further issue when it holds no more than 50% of the existing issue; and (b) Terms and conditions of the further issue and existing issue must be identical
Emulation issue	(a) The expiry date may be up to five business days before or after that of an existing emulated CBBC; and (b) The strike price / level and call price / level may differ by no more than one spread in the underlying listed security from that of an existing emulated CBBC or by no more than 0.5% in other cases
Valuation at expiry	<u>Listed securities</u> The closing price of the underlying securities on the trading day immediately preceding the expiry date

⁴ Currently, where the CBBC is traded in HKD, settlement shall be in HKD. Similarly, where CBBC is traded in USD or CNY, the settlement currency shall be the same as the trading currency. Structured products issuers proposing to issue products traded in one currency but settled in another currency should provide detailed proposals for the Exchange's consideration.

Product Terms

	<u>Indices</u> Settlement price of the related futures contracts⁵ on the valuation date Note: the valuation date is generally the same as the expiry date, subject to time difference
Observation period	From the listing date of the CBBCs to the trading day immediately preceding the expiry date (both dates inclusive)
Mandatory call event ("MCE")	A mandatory call event occurs if the spot price / level is at or below (for bull contracts) or at or above (for bear contracts) the call price / level at any time during a trading day in the observation period.
MCE valuation period	The period commencing from the time which the MCE occurs and up to the end of the following trading session
Reference spot price / level to determine residual value	For bull CBBC : the lowest spot price / level of the underlying asset in the MCE valuation period For bear CBBC: the highest spot price / level of the underlying asset in the MCE valuation period
Arrangement upon maturity	Automatic settlement without the need to deliver a notice of exercise (applicable to cash settlement only)
Settlement	Cash settled ⁶
Settlement date	Generally no later than the third settlement day after expiry

Liquidity Provision Requirements⁷

Quote request ("QR")	Minimum service level applicable to all possible market conditions (subject to "Exemptions" set out below): (a) Maximum bid-ask spread: 20 spreads (b) Minimum quotation size: 20 board lots (c) Maximum quote response time: 10 minutes (d) Minimum holding time: five minutes⁸ (e) QR applies to all CBBCs
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⁵ Refers to the futures contract with the same expiry month as that of the CBBC.

⁶ Structured products issuers proposing to issue physically settled CBBCs should provide detailed terms and arrangements for the Exchange's consideration.

⁷ For background information, please see the [Industry Principles on Liquidity Provision for Listed Structured Products](#).

⁸ If the price of the underlying or the prevailing market circumstance changes, issuers can refresh the quote by posting a new pair of quotes. A quotation lapses if any investor has proceeded with a trade during the five minutes holding period.

Product Terms

Exemptions – QR is not required to be provided in the following circumstances:

- (a) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Exchange;
- (b) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on a trading day;
- (c) when the CBBCs or the underlying is suspended from trading for any reason;
- (d) when there are no CBBCs available for market making activities (in such event, the liquidity provider shall continue to provide bid prices);
- (e) if the theoretical value of the CBBCs is less than HK\$0.01 (if the liquidity provider chooses to provide liquidity under this circumstance, both bid and ask prices will be made available);
- (f) upon the occurrence of a mandatory call event;
- (g) in the case with an index underlying, if there occurs or exists any suspension of or limitation proposed on trading of options or futures contracts relating to the index or if the index level is not calculated or published as scheduled for any reason;
- (h) when there are operational and technical problems beyond the control of the liquidity provider hindering the ability of the liquidity provider to provide liquidity; or
- (i) if the underlying or the stock market experiences exceptional price movement and high volatility over a short period of time which materially affects the liquidity provider's ability to source a hedge or unwind an existing hedge.

Active quote ("AQ")⁹

Minimum service levels under "Qualified Period":

- (a) Maximum bid-ask spread:
 - (i) 10 spreads for local index¹⁰
 - (ii) 15 spreads for actively traded stock¹¹
- (b) Minimum quotation size: 20 board lots
- (c) Quotation continuity: at least 90% of the Qualified Period with no interruption exceeding 10 minutes of a trading day for each CBBC

Qualified Period for providing AQ applies when:

- (a) the underlying is an actively traded stock or local index;
- (b) 50% or less of total issue size outstanding in the market;

⁹ The term 'Active Quote' refers to 'Continuous Quotes' as defined in [Note 2 to Rule 15A.22 of the Listing Rules](#).

¹⁰ Any local index such as Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index.

¹¹ Actively traded stock means securities on the [current list of eligible underlying stocks for CBBC issuance](#).

Product Terms

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| | <ul style="list-style-type: none">(c) the prevailing price of the underlying stock falls outside 2% of the call price or the prevailing level of the underlying index falls outside 1% of the call level; and(d) the circumstances do not fall under the exemptions for providing QR. |
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