

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)

通告 CIRCULAR

Subject: Amendments to the Rules of the Exchange (the “Rules”), the Options Trading Rules (the “Trading Rules”) and the Operational Trading Procedures (the “Trading Procedures”) for Options Trading Exchange Participants of The Stock Exchange of Hong Kong Limited (“SEHK”)

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Holders of Stock Exchange Trading Rights and Exchange Participants of SEHK are requested to note that the Securities and Futures Commission has approved amendments to the Rules, the Trading Rules and the Trading Procedures for the purpose of introducing weekly expiries for single stock options listed on SEHK.

The amendments to the Rules, Trading Rules and Trading Procedures, as set out in the Appendices 1, 2 and 3 respectively, will come into effect on Monday, 4 November 2024.

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

- [“Rule Update - Rules of the Exchange”](#)
- [“Rule Update - Options Trading Rules of the Stock Exchange”](#)
- [“Rule Update - Operational Trading Procedures for Options Trading Exchange Participants of the Stock Exchange”](#)

Beatrice Lung
Head of Legal

¹ Calls to and from the Participant General Enquiry Hotline may be recorded. HKEX Privacy Policy Statement is available [here](#).

Rules of the Exchange

CHAPTER 1

INTERPRETATION

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

“option series”

means the underlying security, expiry, strike price, option type (put or call) capable of being specified in HKATS by an Options Trading Exchange Participant pursuant to the Options Trading Rules;

Options Trading Rules

CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

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

"option series"	means the underlying security, expiry, strike price, option type (put or call) capable of being specified in HKATS by an Options Trading Exchange Participant pursuant to these Options Trading Rules;
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CHAPTER 4

OPTIONS EXCHANGE PARTICIPANTS AND THEIR CLIENTS

Exercise of Client Contracts

415A. On an expiry day, DCASS will automatically generate exercise requests in respect of all open long positions in expiring contracts which meet the exercise criterion prescribed (i) by the relevant SEOCH Participant; or (ii) if no such exercise criterion is prescribed by the SEOCH Participant, by SEOCH. Any automatically generated exercise requests, except those denied by the Options Trading Exchange Participant (if it is a SEOCH Participant) or any of its designated GCPs (if it is an NCP) before the System Input Cutoff Time on the expiry day in accordance with the Operational Clearing Procedures, are deemed as exercise requests validly entered by that Options Trading Exchange Participant (if it is a SEOCH Participant) or its designated GCPs (if it is an NCP) pursuant to the Clearing Rules. At the time at which an OCH Contract allocated to any of its designated GCP's relevant DCASS accounts with SEOCH in respect of the Options Trading Exchange Participant's Client Account (if it is an NCP) or to any of its client accounts in DCASS, or to any of its relevant DCASS accounts with SEOCH in respect of an Options Broker Exchange Participant (if it is a Direct Clearing Participant or GCP) is so exercised by the automatically generated exercise request pursuant to the Clearing Rules:

- (1) in the case of allocation to any of its designated GCP's relevant DCASS accounts with SEOCH in respect of the Options Trading Exchange Participant's Client Account (if it is an NCP) or to any of its client accounts in DCASS, or to any of its relevant DCASS accounts with SEOCH in respect of an Options Broker Exchange Participant Account (if it is a Direct Clearing Participant or GCP), the relevant Client Contract shall, by operation of this Options Trading Rule, be treated for all purposes as having been validly exercised.
- (2) in the case of allocation to any of the relevant DCASS accounts of a Direct Clearing Participant or a GCP with SEOCH in respect of an Options Broker Exchange Participant's Omnibus Account, the relevant Client Contract shall, by operation of this Options Trading Rule, be treated for all purposes as having been validly exercised. Where any such Client Contract representing an underlying Options Broker Client Contract is so exercised, the matching Client Contract effected in accordance with Options Trading Rule 411A between the Options Broker Exchange Participant and its client shall also be treated as having been validly exercised.

CHAPTER 6

MARKET MAKERS

Applications for Market Maker Permits

601. An Options Trading Exchange Participant may apply to the Exchange for permission to make a market in Options Contracts in a particular option class (with a particular expiry if applicable), whether as a Primary Market Maker or a Regular Market Maker, by completing the prescribed application form and returning it to the Exchange, together with such application fee as may for the time being be prescribed by the Exchange, in accordance with the instructions contained in the application form.
602. Before granting a Market Maker permit, the Exchange may require the applying Options Trading Exchange Participant to demonstrate to the satisfaction of the Exchange that it is suitably qualified to make a market in the Options Contracts in respect of which the application is made (having regard to such matters as the Exchange may, in its absolute discretion, consider to be appropriate, including the financial standing, trading record, personnel, computer equipment and internal security procedures of the applying Options Trading Exchange Participant). Before registering a Market Maker as a Primary Market Maker, the Exchange will also require the Options Trading Exchange Participant to sign and agree to be bound by an appointment letter which sets forth, inter alia, the terms and conditions under which it is appointed as a Primary Market Maker and the market making obligations of the Options Trading Exchange Participant as a Primary Market Maker, which may vary from one Primary Market Maker to another. The Chief Executive has the sole discretion to determine the total number of Primary Market Maker permits that may be granted per option class and, if applicable, per expiry from time to time.
605. A register of Market Makers, containing the name of each Options Trading Exchange Participant to whom a permit has been granted, the registration of the Market Maker as a Primary Market Maker where applicable, the commencement and expiry dates of each such permit and the option class (with the particular expiry if applicable) in respect of which each such permit has been granted, will be maintained by the Exchange.

Obligations of Regular Market Makers

609. Subject to Options Trading Rule 610, if a Regular Market Maker elects to respond to quote requests, it shall be obliged upon receipt of a quote request for an option series in an option class (with a particular expiry if applicable) for which it holds a current Market Maker permit (i) to enter a quote into the Options Trading System at least for such minimum number of Options Contracts as prescribed by the Board; (ii) to hold the quote for such minimum period of time as prescribed by the Board; and (iii) to respond within such period of time after receipt of the relevant quote request as prescribed by the Board. Subject to Options Trading Rule 610, if a Regular Market Maker elects to provide continuous quotes, it shall be obliged to provide continuous quotes for the assigned option series in an option class (with a particular expiry if applicable) for which it holds a current Market Maker permit for such minimum number of Options Contracts as prescribed by the Board. A bid and offer spread no greater than the maximum specified by the Board from time to time must also form part of each quote provided by the Regular Market Maker. All holders of Market Maker permits (other than Primary Market Makers) must comply with the regulations in the Second Schedule to these Options Trading Rules.

Obligations of Primary Market Makers

612B. Subject to Options Trading Rule 612C, a Primary Market Maker shall be obliged as follows: (I) upon receipt of a quote request for an option series in an option class (with a particular expiry if applicable) for which it is registered as a Primary Market Maker, to (i) enter a quote into the Options Trading System at least for such minimum number of Options Contracts; (ii) hold the quote for such minimum period of time; and (iii) respond within such period of time after receipt of the quote request, as may be specified in its appointment letter; and (II) to provide continuous quotes for the assigned option series in an option class (with a particular expiry if applicable) for which it is registered as a Primary Market Maker for such minimum number of Options Contracts and with such maximum bid and offer spread as may be specified in its appointment letter.

SECOND SCHEDULE

MARKET MAKER OBLIGATIONS

3. The maximum bid/offer spread is as follows:

Option Series	Option Class		
	Liquidity Level 1	Liquidity Level 2	Liquidity Level 3
A. Option Class with Monthly Expiries			
Spot month with 3 Business 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.	30% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot month with 4 Business Days or more to expiry and the next 3 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.	20% of the bid price of the quote or 7 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.	30% of the bid price of the quote or 10 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.	30% of the bid price of the quote or 20 times the best bid/offer spread of the underlying securities, whichever is the lower.

B. Option Class with Weekly Expiries			
Spot week with 3 Business 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.	30% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.
Spot week with 4 Business Days or more to expiry and the next week	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.	20% of the bid price of the quote or 7 times the best bid/offer spread of the underlying securities, whichever is the lower.

6. A Market Maker in providing continuous quotes shall be assigned not less than 50 option series (for monthly expiries) and not less than 15 option series (for weekly expiries) in an option class as may be determined by the Exchange from time to time. For each assigned option series, a Market Maker in providing continuous quotes shall provide quotes for not less than 50 percent of the trading hours of an option class (with a particular expiry if applicable) in a month.
8. In the event that a Market Maker fails to respond to at least 50 percent of quote requests per option class (with a particular expiry if applicable) or fails to provide continuous quotes on the assigned option series for at least 50 percent of the trading hours of the option series in accordance with this Second Schedule to the Options Trading Rules in two consecutive months, its Market Maker permit for that option class (with the particular expiry if applicable) shall be revoked unless it can show to the satisfaction of the Exchange that it has reasonable grounds for failing to satisfy its Market Maker obligations during that period.

SIXTH SCHEDULE

STANDARD CONTRACT

2. **Terms and Conditions of the Contract:** Each Options Contract shall incorporate by reference the following terms and conditions:-

- (a) whether it is a put Options Contract or a call Options Contract;
- (b) the underlying securities;
- (c) the expiry; and
- (d) the strike price

each of which, in relation to a particular Options Contract, shall be determined solely by reference to the Transaction Register of the Options Trading System.

5. **Exercise:** A holder may exercise an Options Contract having a particular expiry on any trading day up to and including the Last Exercise Day for Options Contracts of the same option series having that expiry and shall do so by giving to the writer an exercise instruction by the time specified for that purpose in, and in accordance with, the Rules (or as otherwise from time to time prescribed by the Exchange and SEOCH).
7. **Expiry:** An Options Contract in a particular option series which has not been validly exercised shall automatically expire at the System Input Cutoff Time on the Last Exercise Day of that expiry of Options Contracts in that option series.
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:-

"buyer" or "holder", in respect of an Options Contract, means the person who is obliged to pay the Premium in respect of such Options Contract, and who is entitled to exercise such Options Contract, and who is obliged to deliver or accept delivery of underlying securities following the valid exercise of such Options Contract (and includes, except where the context otherwise requires, SEOCH as buyer under an OCH Contract);

"expiry" means, in relation to an Options Contract, the calendar month (in the case of a monthly expiring Options Contract) or week (in the case of a weekly expiring Options Contract) recorded in the Transaction Register of the Options Trading System as the month or week during which that Options Contract will expire through effluxion of time;

"Last Exercise Day", in respect of an expiry month, means the trading day immediately preceding the last day of such expiry month which is a trading day (or such other day as may be specified by the Exchange); and in respect of an expiry week, means the last trading day of such expiry week (or such other day as may be specified by the Exchange);

"lot" means, in relation to an Options Contract, the number of underlying securities to which that Options Contract relates being, subject to adjustment pursuant to the Rules, the standard number of such securities ordinarily traded as a board lot on the Exchange or such other number of such securities as expressly specified by the Exchange for an Options Contract;

"price" means, in relation to an Options Contract, the price recorded in the Transaction Register of the Options Trading System as the price agreed between the seller and the buyer for the rights conferred upon the buyer, as if those rights had been conferred in relation to one share of the underlying securities comprised in the lot the subject of the Options Contract;

"security interest" means any proprietary or equitable interest or right whatsoever including, without limitation, any such interest or right arising under or by virtue of any disposal made or purporting to be made by way of security or by way of loan and any other lien, pledge, encumbrance or equity of any kind;

"seller" or "writer", in respect of an Options Contract, means the person who is entitled to receive the Premium in respect of such Options Contract and who is obliged to deliver or accept delivery of underlying securities following the valid exercise of such Options Contract by the other party to it (and includes, except where the context otherwise requires, SEOCH as seller under an OCH Contract);

"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

"strike price" means, in relation to an Options Contract, the amount recorded in the Transaction Register of the Options Trading System as being payable for one share of the underlying securities to be transferred following exercise of the Options Contract, subject to adjustment pursuant to the Rules

Operational Trading Procedures

Chapter 1

The Options System: Operational and Service Schedule

1.3 Stock Options Clearing

The SEHK Options Clearing House Limited (“SEOCH”), a wholly-owned subsidiary of HKEX, is solely responsible for stock options clearing. It acts as the counterparty to all trades and guarantees contract performance in terms of money settlement and stock delivery.

As soon as a trade has been validly created in HKATS, the trade will be transmitted to DCASS and will be registered in DCASS as a position and thereafter monitored by SEOCH for the purposes of risk management through to delivery or expiry.

SEOCH Participants can enter exercise requests for Market Maker, house or client (including NCP) positions via DCASS. SEOCH will do the assignment and novation and the resultant stock transactions will be passed to CCASS for settlement, with SEOCH Participants and SEOCH itself as counterparties. On an expiry day, DCASS will automatically generate exercise requests in respect of all open long positions in expiring contracts which meet the exercise criterion prescribed (i) by the relevant SEOCH Participant; or (ii) if no such exercise criterion is prescribed by the SEOCH Participant, by SEOCH. SEOCH Participants can elect to deny such automatically generated exercise requests via DCASS at any time prior to the System Input Cutoff Time on the expiry day. For details please refer to the *Operational Clearing Procedures*.

Chapter 3: Trading Functionalities

3.4 Notation of Contract Specifications

An options contract on HKATS with a monthly expiry is represented by the following:

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

where `<Class>` denotes the 3 to 5-character code allocated to an options class in HKATS

`<Strike>` denotes the 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 2021 and strike price is HK\$10.00 is denoted as “HKY10.00U1” in HKATS.

An options contract on HKATS with a weekly expiry is represented by the following:

`<Class><Strike><Month><Year><Weekly><Expiry day>`

where `<Class>` denotes the 3 to 5-character code allocated to an options class in HKATS

- <Strike> denotes the strike price with 2 decimal places
- <Month> denotes the 1-character contract month code
- <Year> denotes the 1-digit contract year code
- <Weekly> the 1-character “W” denotes that the options contract is a weekly option
- <Expiry day> denotes the 2-digit expiry day.

For example a put option on a stock of which the class code is HKZ and of which the expiry is on 25 September 2023 and strike price is HK\$10.00 is denoted as “HKZ10.00U3W25” in HKATS.

Appendix B sets out the detailed contract specifications.

Chapter 4: Market Making

4.1 Market Maker Permit

An Options Trading Exchange Participant is a Market Maker for a particular option class (with a particular expiry if applicable) if it holds an effective Market Maker Permit for that class (with the particular expiry if applicable).

A Regular Market Maker Permit will have an effective date and will generally be granted for a period of one year, unless otherwise agreed. A Primary Market Maker Permit will have an effective date and will be for a duration as set out in relevant appointment letter which may vary from one Primary Market Maker to another.

An Options Trading Exchange Participant can simultaneously hold more than one Market Maker Permit for different classes.

A Market Maker Permit is conferred on an Options Trading Exchange Participant. The Options Trading Exchange Participant having the Permit shall be responsible for assigning qualified traders to assume the responsibilities of making the market in compliance with the terms and conditions of the Permit.

4.11A Separate Accounts for Designated Traders

A designated trader means a trader designated by a Market Maker to perform the market making obligations in the name and on behalf of that Market Maker in option class(es) (with particular expiry or expiries if applicable) specified by that Market Maker. In addition to the market making activities, trades in other option class(es) (with particular expiry or expiries if applicable) may be conducted by a designated trader for his own account.

In addition to the Market Maker Account mentioned above, a Market Maker may apply to SEOCH for using the enhanced accounting services of opening and keeping a separate Market Maker Account in DCASS for each of its designated traders. For the purpose of the calculation of margin requirement, positions recorded in each Market Maker Account for a designated trader in DCASS will be treated separately as a portfolio on its own and totally independent of the house positions of that Market Maker recorded in its other accounts.

A Market Maker that wishes to avail itself of the enhanced accounting services of SEOCH may apply to SEOCH in accordance with the *Operational Clearing Procedures* paragraph 1.7.

Upon the opening of a Market Maker Account for a designated trader in DCASS, all provisions of the Second Schedule of the *Options Trading Rules* shall apply to the named designated trader individually as if he was the Market Maker itself. The Market Maker shall be fully responsible for the conduct and performance of its designated traders. In particular, the Market Maker shall be liable for the discount claw-back in respect of each of its designated traders who has failed to meet the performance target as laid down in paragraph 7 of the Second Schedule of the *Options Trading Rules*.

Chapter 5: Client Services Support

5.7 Entry and Adjustment of Exercise Requests

A client can instruct his Options Exchange Participant to exercise a long position. The instruction can take the form of telephone, fax, letter or whatever means are laid down in the Client Agreement. Before the end of the Post-Trading Period subject also to the Client Agreement, a client can also give instructions to his Options Exchange Participant to reverse or modify an exercise instruction given earlier the same day.

An Options Broker Exchange Participant or an Options Trading Exchange Participant that is an NCP may, upon request of its clients, request its Options Trading Exchange Participant or designated GCP, as the case may be, to input exercise requests for its clients. Normally, an Options Trading Exchange Participant shall input, or, if it is an NCP, shall request its designated GCP to input, its exercise requests through DCASS in respect of each and every contract it wishes to exercise. DCASS will not automatically generate exercise requests in respect of in-the-money contracts on behalf of SEOCH Participants except on an expiry day.

On an expiry day, DCASS will automatically generate exercise requests in respect of all open long positions in expiring contracts which meet the exercise criterion prescribed (i) by the relevant SEOCH Participant; or (ii) if no such exercise criterion is prescribed by the SEOCH Participant, by SEOCH. SEOCH Participants can elect to deny such automatically generated exercise requests via DCASS at any time prior to the System Input Cutoff Time on the expiry day. For the purposes of the *Options Clearing Rules* and the *Operational Clearing Procedures*, exercise requests automatically generated by DCASS, if not so denied, are deemed as exercise requests input by SEOCH Participants and shall be binding and irrevocable. Please refer to the *Operational Clearing Procedures* for more details.

Options Exchange Participants should ensure their clients are aware that there is a possibility that their open long positions could be automatically exercised unless elected otherwise. Options Exchange Participants and their clients should note that on an expiry day, all open long positions expiring on that expiry day will expire worthless unless these positions have been exercised, either by exercise requests automatically generated by DCASS or via manual input of exercise requests by the Options Trading Exchange Participant or, if it is an NCP, by its designated GCP. Therefore an Options Exchange Participant shall ensure that it obtains timely instructions from its clients in respect of exercise of Options Contracts.

Instructions relating to exercise, exercise adjustment or the denying of an automatic exercise instruction on client or house positions must be entered before the System Input Cutoff Time on the expiry day in order to be processed.

NCPs will not have access to screens for entry of exercise requests and adjustments and must therefore instruct their designated GCPs to enter exercised requests and adjustments on their behalf. The *Operational Clearing Procedures* set out the details.

If an out-of-the-money client position is to be exercised, the Exchange advises the SEOCH Participant to obtain written exercise instructions from the client before input.

5.9 Position Limit and Reporting Level

Subject to *Options Trading Rule 436A*, limits are imposed on the open positions any single party (Options Exchange Participant or client) can carry at any one time. Reporting levels, in excess of which a party (Options Exchange Participant or client) is required to report to the Exchange, are also prescribed. Without prejudice to the powers of the Exchange under *Options Trading Rules 435 and 439*, the position limits^(Note 1) currently applicable are classified into 5 levels, namely 250,000, 200,000, 150,000, 100,000 and 50,000 open contracts per option class in any one market direction for all expiries combined. The applicable level of position limit is determined by reference to the methodology set out in 5.9A below. Reporting level^(Note 2) for all option classes is 1,000 open contracts per option class per expiry.

Notes:

1. *Position Limit* – this represents the maximum number of open contracts a single party can hold for any option class in any one market direction for all expiries combined (N.B. long calls/short puts combined are in one direction and short calls/long puts combined are in another direction).

Example A, if the limit is 50,000 and an Options Exchange Participant is long a total of 47,000 calls and short 3,000 puts in all the expiry months (and expiry weeks if applicable) of the same option class, it has reached the limit, but if it is long 47,000 calls and long 3,000 puts, it has not.

Example B, if the limit is 150,000 and an Options Exchange Participant is long a total of 135,000 calls and 15,000 puts and short a total of 10,000 puts and 132,000 calls in all the expiry months (and expiry weeks if applicable) of the same option class, it has not reached the limit, since the positions in one market direction will be 145,000 contracts (long 135,000 calls and short 10,000 puts) and 147,000 contracts (short 132,000 calls and long 15,000 puts).

A Market Maker or an Options Exchange Participant which is, or is holding positions for, a person specified under section 4A of the Securities and Futures (Contracts Limits and Reportable Positions) Rules may hold positions in excess of the limit prescribed by the Commission under the Securities and Futures (Contracts Limits and Reportable Positions) Rules provided that it is authorized to do so by the Exchange under 5.12 below.

2. *Reporting level* – this is the number of open contracts in any one single expiry month (or week if applicable) of an option class, including all types, strike prices, long and short positions in excess of which a position shall be reported to the Exchange. Where positions exceeding this level are held for a client, the Options Exchange Participant must notify the Exchange of the client's identity. Positions arising from market making activities that are held by Market Makers in their Market Maker Accounts are treated as having been reported to the Exchange.

APPENDIX B: OPTIONS CONTRACT SPECIFICATIONS

B3 Expiry Day

The last trading day for spot month contracts is the second last business day of the month which is a trading day (or such other day as may be specified by the Exchange). Option series for new contract months will become available for trading on the last business day of the month.

The last trading day for spot week contracts is the last business day of the week which is a trading day (or such other day as may be specified by the Exchange). Option series for new contract weeks will become available for trading on the first business day of the week.

B4 Expiries

Monthly expiries will be introduced for all option classes traded on the Exchange. The contract expiry months will be:

- the spot month (i.e. the month in which the next expiring date occurs);
- any of the next three calendar months; and
- any of the next three calendar quarter months (i.e. quarter months are March, June, September and December).

The Exchange may from time to time introduce weekly expiries for such option classes as it considers appropriate. The contract expiry weeks will be:

- the spot week (i.e. the week in which the next expiring date occurs); and
- the next week,

provided that no weekly contracts will be listed if such weekly contracts would expire on the same day as the expiry day for the spot month contract.

The Exchange may, in consultation with the Commission, introduce additional expiries in selected option classes as it deems necessary.

The increase in the number of expiries will be announced prior to the effective day of trading.

B6 Addition of New Strike Prices

New series are added either automatically by HKATS or manually by the Exchange at its absolute discretion.

1. Automatic addition of new series

New series will be generated under the following conditions:

- a) Upon addition of a new expiry

Upon expiry of a contract, call and put contracts for at least five new strike prices -- at least two out-of-the-money, one at-the-money (or nearest-the-money) and two in-the-money -- will be added for the new expiry in the cycle.

b) Upon daily underlying price movements

Based on the closing price of the underlying security, new strike prices will be added such that there are at least two out-of-the-money strikes, one at-the-money (or nearest-the-money) and two in-the-money strikes for both puts and calls.

The at-the-money strike price is the closing price of the underlying security rounded off to the nearest strike price, unless the closing price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price.

2. Manual addition of new series

The Exchange may at its absolute discretion manually add new series with strike prices at such intervals as it deems necessary, but only within the expiries defined above.

All new series, automatically generated or manually added, will be announced prior to the effective day for trading.

APPENDIX J: [Repealed]