

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: Enhancement Measures in Stock Options Market  
Enquiry: Ms. Flora Lo 2211-6137 [FloraLo@hkex.com.hk](mailto:FloraLo@hkex.com.hk)  
Mr. Wallace Chan 2211-6139 [WallaceChan@hkex.com.hk](mailto:WallaceChan@hkex.com.hk)

The Exchange is pleased to announce that the following enhancement measures in the stock options market will be implemented on **Tuesday, 1 November 2016**:

### 1. Revision of Market Making Obligations for Market Makers that Provide Continuous Quotes (CQMMs) and Market Makers that Respond to Quote Requests (QRMMs)

The number of option series assigned to CQMMs will be increased from 24 series to 50 series.

For stock options with minimum fluctuation of HK\$0.001<sup>1</sup> (for HKD-denominated options) and RMB0.001 (for RMB denominated), the market making obligations for CQMMs and QRMMs will be revised as follows:

- the minimum market making spread will be revised to HK\$0.03 and RMB0.03 respectively; and
- the maximum sell side price will be revised to HK\$0.03 and RMB0.03 respectively, if the bid price of the option series is not quoted (i.e. for option value near zero).

Please refer to Attachment I for details of the revised market making obligations.

### 2. Enhancement of Market Making Support for Primary Market Makers (PMMs) and CQMMs

There will be a waiver on monthly OAPI sub-licence fees (currently HK\$2,600 per month or equivalent per OAPI) and additional technical support including the use of market maker protection function, increased mass quote ratio from 1:6 to 1:10 and more flexibility in the OAPI settings. Please refer to Attachment II for details of the market making support.

For technical support, please contact HKATS hotline: 2211-6360.

### 3. Trading Fee Waiver for Options with Premium $\leq$ HK\$0.01 or RMB0.01

The trading fee for HKD-denominated options with contract premium equal to or less than HK\$0.01 will be waived. The trading fee for RMB-denominated options with contract premium

<sup>1</sup> There are currently 4 stock options with minimum fluctuation of HK\$0.001, namely, Agriculture Bank of China, Bank of China, China Construction Bank and ICBC

equal to or less than RMB0.01 will be waived.

Relevant rule amendments will be announced via a separate circular. Exchange Participants are requested to notify their staff and all interested clients about the upcoming initiatives and ensure that their back office systems are ready to support their trading.

Li Gang  
Co-Head  
Market Development Division

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*This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.*

**Revised Market Making Obligations for Market Makers Providing Continuous Quotes (CQMMs) and Market Makers Responding to Quote Requests (QRMMs)**

1. The number of option series assigned to CQMMs and the selection pool will be increased. Other obligations e.g. quote size and bid/ask quote shall remain unchanged.

		Original		New	
No. of Assigned Options Series		24 series		<b><u>50 series</u></b>	
CQ Selection Pool:					
Contract Month	Moneyness	Call	Put	Call	Put
Spot	Nearest OTM	5	5	<u>7</u>	<u>7</u>
	Nearest ITM	2	2	<u>2</u>	<u>2</u>
2 <sup>nd</sup> calendar	Nearest OTM	5	5	<u>7</u>	<u>7</u>
	Nearest ITM	2	2	<u>2</u>	<u>2</u>
3 <sup>rd</sup> calendar	Nearest OTM	5	5	<u>7</u>	<u>7</u>
	Nearest ITM	2	2	<u>2</u>	<u>2</u>
4 <sup>th</sup> calendar	Nearest OTM	5	5	<u>7</u>	<u>7</u>
	Nearest ITM	2	2	<u>2</u>	<u>2</u>
1st quarter	Nearest OTM	5	5	<u>7</u>	<u>7</u>
	Nearest ITM	2	2	<u>2</u>	<u>2</u>
2nd quarter	Nearest OTM	5	5	<u>7</u>	<u>7</u>
	Nearest ITM	2	2	<u>2</u>	<u>2</u>
3 <sup>rd</sup> quarter	Nearest OTM	-	-	<u>7</u>	<u>7</u>
	Nearest ITM	-	-	<u>2</u>	<u>2</u>
Total		84		<b><u>126</u></b>	

2. For stock options with minimum fluctuation of HK\$0.001<sup>2</sup> (for HKD-denominated options) and RMB0.001 (for RMB denominated), the market making obligations for CQMMs and QRMMs will be revised as follows:
- the minimum market making spread will be revised to HK\$0.03 and RMB0.03 respectively; and
  - the maximum sell side price will be revised to HK\$0.03 and RMB0.03 respectively, if the bid price of the option series is not quoted (i.e. for option value near zero).

<sup>2</sup> There are currently 4 stock options with minimum fluctuation of HK\$0.001, namely, Agricultural Bank of China, Bank of China, China Construction Bank and ICBC

## Enhancements of Market Making Support for Primary Market Maker (PMMs) and CQMMs

1. There will be a waiver on monthly OAPI sub-licence fees (currently HK\$2,600 per month or equivalent per OAPI):

MM Type	No. of OAPIs with Monthly Sub-licence Fee Waiver
CQMM	Up to 1 OAPI for every 5 stock options classes (round up to the nearest number of OAPI)

2. In addition, the following technical support will be available to PMMs and CQMMs:
- Market Maker Protection Function (MMP):** PMMs and CQMMs will be allowed to use MMP, which means the HKATS will cancel the corresponding market maker's quotes in that particular underlying should their quotes be taken by the market exceeding their pre-defined volume threshold within a pre-defined period of time;
  - Mass Quote Function (MQ)** (available to PMMs and CQMMs that have total number of assigned CQ series above 100 series): MQ ratio will be increased from 1:6 to 1:10, which means PMMs and CQMMs can update bid and ask quotes of 10 option series with one message transaction instead of 6 option series; and
  - OAPI Settings** (available to PMMs and CQMMs that have total number of assigned CQ series above 100 series): PMMs and CQMMs can use 5, 10, 20 or 50 transaction per second (TPS) per connection with MQ function, which means they will have more flexibility in reducing the number of OAPI required. The allocation of TPS with MQ will be increased in proportion to its CQ obligations so that they can update quotes more cost efficiently.
3. Below is a summary of technical facility:

MM Type	Original				New			
	TPS with MQ	MQ Ratio	MMP	OAPI Setting (TPS)	TPS with MQ	MQ Ratio	MMP	OAPI Setting (TPS)
PMM <sup>3</sup>	No. of CQ series ÷3	1:6	Yes (for stock option classes under PMM program)	5/ 10/ 20/ 50	No. of CQ series ÷3	<b>1:10</b>	Yes (all stock option classes)	5/ 10/ 20/ <b>50</b>
CQMM <sup>3</sup>	No. of CQ series ÷4			5/ 10/ 20	No. of CQ series ÷4			
QRMM	No	No	No	5/ 10	No	No	No	5/ 10

<sup>3</sup>MQ function and OAPI Setting will only be available to PMM and CQMM with total number of assigned CQ series above 100 series