HKEX
香港交易所

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香港期貨交易所有限公司
(香港交易及結算所有限公司全資附屬公司)
HONG KONG FUTURES EXCHANGE LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Proposed Introduction of Weekly Hang Seng Index Options and Weekly Hang Seng China Enterprises Index Options Contracts in 2019

Enquiry: For technical enquiries:

- HKATS (Hotline[1]: 2211-6360 E-mail: hkatssupport@hkex.com.hk)
- DCASS (Hotline: 2979-7222 E-mail: clearingpsd@hkex.com.hk)

For business enquiries:

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Hong Kong Futures Exchange Limited ("the Exchange" or "HKFE") plans to introduce the Weekly Hang Seng Index ("Weekly HSI") Options and Weekly Hang Seng China Enterprises Index ("Weekly HSCEI") Options contracts (collectively the "Weekly Index Options") after the launch of HKATS and DCASS Upgrade in Q2, 2019, subject to the regulatory approval.

Weekly Index Options are plain vanilla options contracts that expire every week. The introduction of the Weekly Index Options aims to meet the trading and risk management needs of investors who wish to manage their positions in response to short-term or specific events, such as economic figure announcements, interest rate adjustments or political events.

To facilitate Exchange Participants ("EPs") and Clearing Participants ("CPs") in better planning and preparation for the readiness of their front-to-back processes and operational systems, we set forth below the information of the proposed Weekly Index Options for reference.

[1] All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

Proposed Contract Specifications

Below are the key contract specifications:

	Weekly HSI Options	Weekly HSCEI Options
Underlying Index	Hang Seng Index (HSI)	Hang Seng China Enterprises Index (HSCEI)
HKATS Code	HSI	HHI
Contract Multiplier	HK$50 per Index point	
Minimum Fluctuation	1 index point	
Contract Weeks	Spot week and next week Notes: ● Generally, each Weekly Index Options contract will be available for trading starting from Monday and expire on the Friday of the following week. ● There will be two Weekly Index Options contracts at any time (i.e. spot week contract that will expire this Friday and next week contract that will expire next Friday), except that no Weekly Index Options contract will be added if its Expiry Day will be the same as the Expiry Day of the Monthly Index Options contract.	
Exercise Style	European Style	
Option Premium	Quoted in whole index points	
Strike Prices	Index points — Intervals Below 5,000 — 50 At or above 5,000 but below 20,000 — 100 At or above 20,000 — 200	
Trading Hours (Hong Kong time)	T Session 9:15 a.m. - 12:00 noon (morning trading session) 1:00 p.m. - 4:30 p.m. (afternoon trading session) (Expiring contract closes at 4:00 pm on the Expiry Day) There is no afternoon session on the eves of Christmas, New Year and Lunar New Year. The trading hours of the morning trading session on those three days shall be 9:15 a.m. – 12:30 p.m. Subject to the regulatory approval and market maker readiness, the Exchange may introduce the T+1 Session of Weekly Index Options at product launch as below: T+1 Session 5:15 pm – 3:00 am* (after-hours trading session) * If the T+1 Session of the Monthly HSI Options and Monthly HSCEI Options (“Monthly Index Options”) is extended to 3 am in the future, the trading of Weekly Index Options will be extended to 3 am accordingly. There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.	
Expiry Day	The last Business Day of the Contract Week	

	Weekly HSI Options	Weekly HSCEI Options
Official Settlement Price	5-minute average of the underlying index on the Expiry Day	
Final Settlement Day	The Business Day immediately following the Expiry Day.	
Large Open Position	500 open contracts in any one series	
Position Limit	Position delta for HSI (Gross Total Return Index) ("HSIGTRI") Futures, HSI (Net Total Return Index) ("HSINTRI") Futures, HSI Futures, HSI Options, Mini-HSI Futures and Mini-HSI Options, and Weekly HSI Options combined of **10,000** long or short in all Contract Months and Contract Weeks (where applicable) combined. For this purpose, (i) the position delta of one Mini-HSI Futures Contract will have a value of 0.2 and the position delta of one Mini-HSI Option Contract will be one-fifth of the position delta of the corresponding series in the HSI Option Contract; and (ii) the position delta of one HSIGTRI Futures Contract and one HSINTRI Futures Contract will be based on their contract value ratios versus HSI Futures and the Exchange will announce the number on an annual basis. Currently, the position delta of one HSIGTRI Futures or HSINTRI Futures contract is 3.	Position delta for HSCEI (Gross Total Return Index) ("HSCEIGTRI") Futures, HSCEI (Net Total Return Index) ("HSCEINTRI") Futures, Mini-HSCEI Futures, Mini-HSCEI Options, HSCEI Futures, HSCEI Options and Weekly HSCEI Options combined of **12,000** long or short in all Contract Months combined. For this purpose, (i) the position delta of one Mini-HSCEI Futures Contract will have a value of 0.2 and the position delta of one Mini-HSCEI Option Contract will be one-fifth of the position delta of the corresponding series in the HSCEI Option Contract; and (ii) the position delta of one HSCEIGTRI Futures Contract and one HSCEINTRI Futures Contract will be based on their contract value ratios versus HSCEI Futures and the Exchange will announce the number on an annual basis. Currently, the position delta of one HSCEIGTRI Futures or HSCEINTRI Futures contract is 2.
Exchange Fee	HK$10	HK$3.5
Settlement Fee	HK$10	HK$3.5

Commission Levy Exemption

The Commission Levy will be exempted for the first six months of trading.

Trading Arrangements

The trading arrangements on the HKATS are as follows:

a. Differentiation between Weekly Index Options and Monthly Index Options

New market codes “39” and “87” shall be assigned to the Weekly HSI Options and Weekly HSCEI Options respectively. Trading applications could make use of the field in the OAPI library namely “market_c” for the identification of Weekly Index Options, if necessary.

b. Naming convention of Weekly Index Options series:

	Weekly HSI Options	Weekly HSCEI Options
Example	HSI27000A9W25 Where: • “HSI” means HKATS underlying code; • “27000” means strike price; • “A” means Jan - contract month; • “9” means year 2019 contract; • “W25” means weekly product with the 25th day of the month as the expiry day	HHI10400A9W25 Where: • “HHI” means HKATS underlying code; • “10400” means strike price; • “A” means Jan - contract month; • “9” means year 2019 contract; • “W25” means weekly product with the 25th day of the month as the expiry day

c. Addition of new contracts:

A new Weekly Index Options contract will be available for trading on the business day immediately following the Expiry Day of the spot week (i.e. generally Monday), except that no Weekly Index Options contract will be added if its Expiry Day will be the same as the Expiry Day of the Monthly Index Options contract.

d. Other operational arrangements including block trade and error trade arranagements will follow the same arrangements for the Monthly Index Options.

Market Making Program

The Exchange will provide Market Making program to facilitate trading of the Weekly Index Options. Please refer to Attachment I for details.

EPs' and CPs' Readiness

EPs and CPs are requested to review their operational and system readiness of supporting the Weekly Index Options, including but not limited to the OAPI programs, clearing and settlement systems (including enhancements to the Risk Parameter File[2]), market data systems and other front-end or back-end operational systems.

EPs and CPs who are planning to participate in the trading and clearing of Weekly Index Options should verify their systems by participation in the market rehearsal **tentatively scheduled in March 2019** and confirm their readiness before they will be allowed to access the Weekly Index Options market during the two-week stabilization period after the product launch. More details on the technical information for Weekly Index Options are set forth in Frequently Asked Questions and Information Paper for HKATS and DCASS Upgrade.

For the Exchange to better plan for the upcoming market rehearsal, **all** EPs are required to confirm whether they plan to participate in the Weekly Index Options and related market rehearsal by completing the Return Form set forth in the Attachment II **on or before 30 November 2018**.

Li Gang
Co-Head
Market Development Division

This circular has been prepared in English with a Chinese translation. If there is any inconsistencies between the two versions, the English version shall be prevail.

[2] Details, sample file and updated Clearing House Margining Methodology – PRiME can be found in the "Risk Parameter File (RPF) / SPAN" section.

Attachment I

Proposed Market Making Program

Market Making Obligations:

1. The proposed market making obligations for Weekly Index Options are as follows:

		MM for T Session	MM for T+1 Session
For MM that provides continuous quote (CQ):			
Min. % of trading hours coverage		70% of T Session	70% of T+1 Session
Min. Quote series (selected from the pool*)		30 series in total for spot week and next week contracts (or 15 series if only one contract is available.**)	30 series in total for spot week and next week contracts (or 15 series if only one contract is available.**)
Min. Quote Size		5 contracts	5 contracts
Max. bid/offer spread	Price 1-750 points >750 points	Max. bid/offer spread Max (30 points, 10% of bid) 75 points	Max. bid/offer spread Max (40 points, 20% of bid) 150 points
For MM that responds to quote request (QR):			
Min. % of QR responses		70% of QR issued in T Session	70% of QR issued in T+1 Session
Max. Time to respond to QR and Min. Display time		20 sec	20 sec
Min. Quote Size		5 contracts	5 contracts
Max. bid/offer spread	Price 1-750 points >750 points	Max. bid/offer spread Max (30 points, 10% of bid) 75 points	Max. bid/offer spread Max (40 points, 20% of bid) 150 points

Notes:

*CQMM can select options series from the following CQ series selection pool:

Contract Month	Moneyness	Call	Put
Spot Week	Nearest OTM	14	14
	Nearest ITM	2	2
Next Week	Nearest OTM	14	14
	Nearest ITM	2	2
Total		64	

** New Weekly Index Options contract will not be added if its Expiry Day will be the same as the Expiry Day of the Monthly Index Options.

2. The performance measurement for MM in the Weekly Index Options will be separated from that of the Monthly Index Options.

Market Making Incentives:

3. Discounted Exchange Fee for MM in Weekly Index Options

MM of Weekly Index Options will be entitled to pay a discounted Exchange Fee:

Exchange Fee per Lot	MM in Weekly Index Options	Standard
Weekly HSI Options	HK$2.0 (i.e. 80% discount)	HK$10
Weekly HSCEI Options	HK$0.5 (i.e. 86% discount)	HK$3.5

4. Cross-product discounted Exchange Fee for MM in other futures and options with the same underlying

MM shall be entitled to pay a discounted Exchange Fee of an amount specified in the table below on transactions effected in other futures and options with the same underlying index, provided that the total number of other futures and options eligible for discounted Exchange Fees in any calendar month shall not exceed the volume of the futures or options traded by the MM in that calendar month (in contract size adjusted equivalent based on contract multiplier).

Exchange Fee per Lot	MM in Weekly Index Options	MM in other futures and options with same underlying index (e.g. MM of Monthly HSI Options, MM of Monthly HSCEI Options, etc)
Futures and options with HSI as underlying	HK$3.50 in HSI Futures / Options HK$1 in Mini-HSI Futures HK$0.70 in Mini-HSI Options	HK$3.50 in Weekly HSI Options
Futures and options with HSCEI as underlying	HK$1 in HSCEI Futures / Options HK$0.70 in Mini-HSCEI Futures HK$0.35 in Mini-HSCEI Options	HK$1 in Weekly HSCEI Options

5. (For MM that provides CQ) Waiver of monthly sub-licence fee for OAPI:

No. of OAPI	MM for T Session	MM for T+1 Session
Weekly HSI Options	1 OAPI (HK$2,600 per month)	4 OAPIs (HK$10,400 per month)
Weekly HSCEI Options	1 OAPI (HK$2,600 per month)	4 OAPIs (HK$10,400 per month)

Attachment II

Return Form for Participation in Weekly Index Options and related Market Rehearsal

Particulars of Exchange Participant

HKATS Customer Code	Participant Name

Contact Person (HKATS)

Name	Phone
Position	E-mail

Contact Person (DCASS)

Name	Phone
Position	E-mail

Questionnaire

1. Are you planning to participate in Weekly HSI / HSCEI Options trading starting from the launch date? ☐ Yes ☐ No
2. When is the expected completion date regarding the development and preparation of your systems (e.g. OAPI program, clearing and settlement system, market data system and other front-end or back-end operational systems) for the Weekly Index Options? ☐ By December 2018 ☐ By March 2019 ☐ Other date: _____
3. Are you planning to participate in the Market Rehearsal for the Weekly Index Options scheduled in March 2019 tentatively? ☐ Yes ☐ No
4. Any other feedback?

By signing below, we consent to the processing of personal data in accordance with the Privacy Policy Statement included in this form.

_____
Authorized Signature

_____
Date

_____
Name of Signatory

Please complete and return this form by email to Mr. Wallace Chan (WallaceChan@hkex.com.hk) on or before 30 November 2018. Should you have any questions, please contact Mr. Wallace Chan at 2211-6139.

Privacy Policy Statement

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We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, where required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website or otherwise, continued use by you of the HKEX website or your continued relationship with us shall be deemed to be your acceptance of and consent to this Privacy Policy Statement, as amended from time to time.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels set out in the "Contact Us" section below.

We will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your requests, applications, subscriptions or registrations, and may not be able to perform or discharge the Regulatory Functions (defined below).

Purpose
From time to time we may collect your personal data including but not limited to your name, mailing address, telephone number, email address, date of birth and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571)) ("Regulatory Functions");
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis;
5. to process your application for employment or engagement within HKEX to assess your suitability as a candidate for such position and to conduct reference checks with your previous employers; and
6. other purposes directly relating to any of the above.

Direct marketing
Where you have given your consent and have not subsequently opted out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to HKEX financial services and information services, and financial services and information services offered by other members of the Group.

If you do not wish to receive any promotional and direct marketing materials from us or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels set out in the "Contact Us" section below. To ensure that your request can be processed quickly please provide your full name, email address, log in name and details of the product and/or service you have subscribed.

Identity Card Number
We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes
Except to the extent you have already opted out we may transfer your name, mailing address, telephone number and email address to other members of the Group for the purpose of enabling those members of the Group to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

Other transfers of your personal data
For one or more of the purposes specified above, your personal data may be:

1. transferred to other members of the Group and made available to appropriate persons in the Group, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong;
2. supplied to any agent, contractor or third party who provides administrative, telecommunications, computer, payment, debt collection, data processing or other services to HKEX and/or any of other member of the Group in Hong Kong or elsewhere; and
3. other parties as notified to you at the time of collection.

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Corporate reorganisation
As we continue to develop our business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

Access and correction of personal data
Under the PDPO, you have the right to ascertain whether we hold your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request us to inform you of the type of personal data held by us. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("**Privacy Commissioner**") which may be found on the official website of the Office of the Privacy Commissioner or via this link
https://www.pcpd.org.hk/english/publications/files/Dforme.pdf

Requests for access and correction of personal data or for information regarding policies and practices and kinds of data held by us should be addressed in writing and sent by post to us (see the "Contact Us" section below).

A reasonable fee may be charged to offset our administrative and actual costs incurred in complying with your data access requests.

Termination or cancellation
Should your account or relationship with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our employees, and for performing or discharging our functions, obligations and responsibilities.

General
If there is any inconsistency or conflict between the English and Chinese versions of this Privacy Policy Statement, the English version shall prevail.

Contact us
By Post:
Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
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8 Connaught Place, Central
Hong Kong

By Email: DataPrivacy@HKEX.COM.HK