

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: Enhancements to the Block Trade Facility in the Derivatives Market

Enquiry: HKATS Hotline¹ Tel: 2211-6360

The Stock Exchange of Hong Kong Limited (“SEHK” or the “Exchange”) plans to enhance the Block Trade Facility (“BTF”) in its derivatives market. The proposal comprises two enhancement items which aim to improve the Block Trade workflow. These enhancements will be implemented in Q3 2023 tentatively, subject to regulatory approval and market readiness.

Enhanced Block Trade Price Precision by Average Pricing

It is very common for a Block Trade to be agreed at a price between two ticks. Currently, Options Trading Exchange Participants (“OTEPs”) will split a single trade into two and execute them at different prices to achieve a targeted average price. Since there are Minimum Volume Threshold (“MVT”) requirements for Block Trade, a Block Trade with quantity at MVT cannot be split for an average price.

The enhancement will allow the MVT requirements to be satisfied by the summation of the volumes of two legs to achieve an average price with more decimals than the tick size. The two legs must be entered as part of the same strategy according to existing procedures as stipulated in Section 2.2 of the [HKATS User’s Guide](#), i.e. contain the same reference free text. The following table shows an example:

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

Example	Current State	With Enhancement
Block Trade of HEX \$300 Jun 23 Call contract with 500 lots @ \$10.5525 can be executed as follow: <ul style="list-style-type: none"> - Leg 1: 375 lots @ \$10.55 - Leg 2: 125 lots @ \$10.56 Total Volume = 500 lots Average Price = \$10.5525	<u>Not allow</u> both legs do not satisfy MVT	<u>Allow</u>

It is a refinement to the workflow that allows the execution of a Block Trade as two legs at different prices. This does not affect the MVT and the Block Trade order aggregation rules, which OTEPs must continue to observe.

Block Trade Order Entry After Market Close

Block Trade order entry will be allowed for Stock Options for a time period after market close for Block Trades referencing volume-weighted average price (“VWAP”) or underlying stock close.

After market close, Stock Options market will immediately move to a new session state when only order entry of such Block Trades is allowed (refer to Attachment I for technical details). The following table shows the Block Trade Order Entry Period:

Market	Market Close	Block Trade Order Entry Period
Stock Options	16:00	16:00 - 16:25 ² (15 mins after closing auction in cash market)

All Block Trades must be negotiated during the trading hours of the Block Trade Contract concerned and be executed immediately on HKATS via the BTF. Block Trades executed during the Block Trade Order Entry Period are also subject to all Block Trade criteria as stipulated in relevant Options Trading Rules and Procedures of SEHK.

² 12:00 – 12:25 on half trading days, i.e. the Eves of Christmas, New Year and Lunar New Year

Briefing Sessions

The Exchange will conduct two briefing sessions on the following dates:

Date	Time	Format	Language	Registration
24 July 2023 (Monday)	17:00 - 18:00	Webinar	Canonese	Click here to register
26 July 2023 (Wednesday)	17:00 - 18:00	Webinar	English	Click here to register

EPs intending to join should register via the online registration form on or before 17 July 2023.

Sanly Ho
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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.

Technical Details for the New Session State for Block Trade Order Entry

Products	Stock Options
Market Code in HKATS	20
State Name	BLK_TRADE_ONLY
State Number	30
Allowed OAPI Transaction	<ul style="list-style-type: none">• MO76 (T1 Internal Trade Report)• MO77 (T2 Combo Trade Report)• MO75 (T4 Interbank Trade Report)• MO74 (Delete Pending T4 Interbank Trade Report)