

Chapter 1 The Options System: Operational and Service Schedule

1.1 The Options System

The Options System provides Options Trading Exchange Participants with screen-based facilities for the trading and clearing of stock options. Trading functions are performed through the Options Trading System, the Hongkong Futures Automated Trading System (“HKATS”), whereas clearing functions (including give-ups, acceptance of give-ups and exercise requests) and collateral management functions are performed through the Options Clearing System, which comprises the Derivatives Clearing and Settlement System (“DCASS”) and the Common Collateral Management System (“CCMS”).

1.2 Stock Options Trading

To carry out stock options trading, Options Trading Exchange Participants are required to submit orders and/or quotes for auto-matching through HKATS. Matched trades are automatically passed to DCASS for further processing.

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 their DCASS terminals. 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, open long positions in spot month contracts which are in-the-money by or above a certain percentage as specified by SEOCH will be automatically exercised, unless SEOCH Participants have specifically denied the exercise requests automatically generated by DCASS in respect of such positions. For details please refer to the *Operational Clearing Procedures*.

1.4 Periods for Trading on HKATS

A trading day consists of a combination of the following periods for trading on HKATS:

Pre-Trading Period

This is the 30 minute-period prior to the commencement of each trading session during which Options Trading Exchange Participants may amend, cancel or inactivate orders resident in the Central Orderbook.

Trading Period

A trading day normally consists of a morning trading session and an afternoon trading session during which orders and quotes are auto-matched continuously as the order book changes based on price and time priority.

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Lunch Period

This is the period between the morning trading session and the afternoon trading session during which trading on HKATS is halted as the underlying market is halted during lunch hours. The options market reverts to the Pre-Trading Period 30 minutes prior to the commencement of the afternoon trading session.

End of Trading

At the end of the trading day, HKATS is closed to all Options Trading Exchange Participants and remains unavailable until the next trading day.

1.4A Periods for Clearing in DCASS

A trading day consists of a combination of time periods for accessing various clearing functions in DCASS. Please refer to the *Operational Clearing Procedures* for details.

1.5 Normal Trading Day

The following table describes the time schedule for the trading of stock options on HKATS on a normal trading day:

<u>Time</u>	<u>Events in HKATS</u>
9:00 a.m.	Pre-Trading starts for all classes.
9:30 a.m.	Trading starts for all classes.
12:00 noon	Trading stops for all classes.
1:00 p.m.	Pre-Trading starts for all classes provided that with effect from 5 March 2012, pre-trading shall start at 12:30 p.m.
1:30 p.m.	Trading starts for all classes provided that with effect from 5 March 2012, trading shall start at 1:00 p.m.
4:00 p.m.	Trading stops for all classes.

1.6 Half-Day Trading

On the eves of Christmas, New Year and Lunar New Year (and on any other days declared by the Exchange to be Half-Day Trading days for underlying securities), the trading hours will be in accordance with the following table:

<u>Time</u>	<u>Events in HKATS</u>
9:00 a.m.	Pre-Trading starts for all classes.
9:30 a.m.	Trading starts for all classes.
12:00 noon	Trading stops for all classes.

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1.7 Control of Trading Periods

The Exchange may, whether or not in conjunction with SEOCH, vary the sequence and duration of each trading and clearing period in emergency situations, if necessary.

Although the Exchange endeavours to comply with the commencement and termination time for each trading period as given in 1.5 and 1.6, all timing figures are indicative only. The transition between various trading periods is controlled by the Exchange according to the time kept by the Exchange.

The Exchange may broadcast messages via HKATS terminals when a system state change is about to happen or has already happened. Appendix I describes some standard broadcast messages used by the Exchange regarding the state of stock options trading on HKATS.

1.8 Approach and Retreat of Typhoon

Unless otherwise announced by the Exchange, the trading arrangements upon the approach and the retreat of Typhoons shall be as follows:

(a) Trading arrangement for all trading days except the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above	
Case	Effect on Trading
(i) If a Typhoon Signal No. 8 or above is hoisted at any time prior to 9:30 a.m. and lowered:	
- at or before 7:30 a.m.	Pre-Trading starts at 9:00 a.m. Trading starts at 9:30 a.m.
- after 7:30 a.m. but at or before 8:00 a.m.	9:30 a.m. 10:00 a.m.
- after 8:00 a.m. but at or before 8:30 a.m.	10:00 a.m. 10:30 a.m.
- after 8:30 a.m. but at or before 9:00 a.m.	10:30 a.m. 11:00 a.m.
- after 9:00 a.m. but at or before 11:00 a.m.	1:00 p.m. 1:30 p.m. (prior to 5 March 2012)
	12:30 p.m. 1:00 p.m. (on or after 5 March 2012)
- after 11:00 a.m. but at or before 11:30 a.m.	1:00 p.m. 1:30 p.m.
- after 11:30 a.m. but at or before 12:00 noon	1:30 p.m. 2:00 p.m.
- after 12:00 noon	There will be no trading for the day.

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(ii)	<p>If a Typhoon Signal No. 8 or above is hoisted during the morning session and lowered:</p> <ul style="list-style-type: none"> - at or before 11:00 a.m. - at or before 11:30 a.m. - at or before 12:00 noon - after 12:00 noon 	<p>Trading will be terminated 15 minutes after the hoisting of the Signal.</p> <p>Commencement of trading in the afternoon session will take place:</p> <table border="0"> <tr> <td>Pre-Trading starts at</td> <td>Trading starts at</td> </tr> <tr> <td>1:00 p.m.</td> <td>1:30 p.m. (prior to 5 March 2012)</td> </tr> <tr> <td>12:30 p.m.</td> <td>1:00 p.m. (on or after 5 March 2012)</td> </tr> <tr> <td>1:00 p.m.</td> <td>1:30 p.m.</td> </tr> <tr> <td>1:30 p.m.</td> <td>2:00 p.m.</td> </tr> </table> <p>There will be no trading in the afternoon session.</p>	Pre-Trading starts at	Trading starts at	1:00 p.m.	1:30 p.m. (prior to 5 March 2012)	12:30 p.m.	1:00 p.m. (on or after 5 March 2012)	1:00 p.m.	1:30 p.m.	1:30 p.m.	2:00 p.m.
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1:30 p.m.	2:00 p.m.											
(iii)	<p>If a Typhoon Signal No. 8 or above is hoisted after the end of the morning session but before the commencement of the afternoon session:</p>	<p>There will be no trading in the afternoon session.</p>										
(iv)	<p>If a Typhoon Signal No. 8 or above is hoisted during the afternoon session:</p>	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the day. 										

(aa) Trading arrangement for the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above												
	Case	Effect on Trading										
(i)	<p>If a Typhoon Signal No. 8 or above is hoisted at any time prior to 9:30 a.m. and lowered:</p> <ul style="list-style-type: none"> - at or before 7:30 a.m. - after 7:30 a.m. but at or before 8:00 a.m. - after 8:00 a.m. but at or before 8:30 a.m. - after 8:30 a.m. but at or before 9:00 a.m. - after 9:00 a.m. 	<table border="0"> <tr> <td>Pre-Trading starts at</td> <td>Trading starts at</td> </tr> <tr> <td>9:00 a.m.</td> <td>9:30 a.m.</td> </tr> <tr> <td>9:30 a.m.</td> <td>10:00 a.m.</td> </tr> <tr> <td>10:00 a.m.</td> <td>10:30 a.m.</td> </tr> <tr> <td>10:30 a.m.</td> <td>11:00 a.m.</td> </tr> </table> <p>There will be no trading for the day.</p>	Pre-Trading starts at	Trading starts at	9:00 a.m.	9:30 a.m.	9:30 a.m.	10:00 a.m.	10:00 a.m.	10:30 a.m.	10:30 a.m.	11:00 a.m.
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(ii)	<p>If a Typhoon Signal No. 8 or above is hoisted during the morning session:</p>	<p>Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the day.</p>										

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1.9 Issuance and Cancellation of Black Rainstorm Warning

Unless otherwise announced by the Exchange, the trading arrangements upon issuance and cancellation of Black Rainstorm Warnings shall be as follows:

	Case	Effect on Trading
(i)	<p>If a Black Rainstorm Warning is issued at any time prior to 9:30 a.m. and cancelled:</p> <ul style="list-style-type: none"> - at or before 7:30 a.m. - after 7:30 a.m. but at or before 8:00 a.m. - after 8:00 a.m. but at or before 8:30 a.m. - after 8:30 a.m. but at or before 9:00 a.m. - after 9:00 a.m. but at or before 11:00 a.m. - after 11:00 a.m. but at or before 11:30 a.m. - after 11:30 a.m. but at or before 12:00 noon - after 12:00 noon 	<p>Pre-Trading starts at Trading starts at</p> <ul style="list-style-type: none"> 9:00 a.m. 9:30 a.m. 9:30 a.m. 10:00 a.m. 10:00 a.m. 10:30 a.m. 10:30 a.m. 11:00 a.m. 1:00 p.m. 1:30 p.m. (prior to 5 March 2012) 12:30 p.m. 1:00 p.m. (on or after 5 March 2012) 1:00 p.m. 1:30 p.m. 1:30 p.m. 2:00 p.m. There will be no trading for the day.
(ii)	<p>If a Black Rainstorm Warning is issued during Pre-Trading, the morning session or the afternoon session:</p>	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - If there was trading before the issuance of the Warning, trading will continue as usual. - If there was no trading before the issuance of the Warning but trading on the Exchange has commenced, trading will commence as usual. - If there was no trading before the issuance of the Warning and trading on the Exchange has not commenced, there will be no trading provided that if the Warning was issued during Pre-Trading or the morning session, commencement of trading in the afternoon session will take place:

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		<ul style="list-style-type: none"> - prior to 5 March 2012, at 1:30 p.m. if the Warning is cancelled at or before 11:00 a.m.; and on or after 5 March 2012, at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.; - at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or - at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon. <p>There will be no trading for the day if the Warning is cancelled after 12:00 noon.</p>
(iii)	If a Black Rainstorm Warning is issued after the end of the morning session but before the commencement of the afternoon session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - If there was trading in the morning session, trading in the afternoon session will take place as usual. - If there was no trading in the morning session, there will be no trading in the afternoon session.

1.10 [Repealed]

1.11 [Repealed]

1.12 Special Events

Special events which may affect trading will be handled by the Exchange in a manner similar to those described in relation to Typhoon Signals or Black Rainstorm Warnings.

Options Exchange Participants will be notified of the exact arrangements and procedures in relation to any suspension of services or facilities via DCASS, HKATS, email or HKEX website, or if this is not possible, by other means deemed appropriate by the Exchange.

The guiding principle in each case is to:

- keep the options market running in line with the underlying market
- allow 30 minutes of Pre-Trading at resumption.