

Consultation Paper

Proposed Changes on Position Limits and Large Open Position Reporting Requirements



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How to Respond to this Consultation Paper

Hong Kong Exchanges and Clearing Limited (“HKEX”) invites written comments on the changes proposed in this paper, or comments on related matters that might have an impact upon the changes proposed in this paper, on or before 30 June 2022.

To submit written comments please complete the questionnaire that can be accessed via the link or QR code below.

Link: https://surveys.hkex.com.hk/jfe/form/SV_9AyJfYEdMu2Oc2G

QR Code:



Our submission enquiry number is (852) 2840 3844.

Respondents are reminded that HKEX will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in Appendix III.

Submissions received by the submission deadline will be taken into account before HKEX decides upon any appropriate further action. HKEX will develop a consultation conclusions paper which will be published in due course.

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DEFINITIONS

Term	Definition
“CBPL”	Capital Based Position Limit
“CPs”	Clearing Participants
“EPs”	Exchange Participants
“Flagship-minis”	Mini-HSI futures, Mini-HSI options, Mini-HSCEI futures and Mini-HSCEI options are collectively referred to as “flagship-minis”
“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKFE”	Hong Kong Futures Exchange
“HSCEI”	Hang Seng China Enterprises Index
“HSI”	Hang Seng Index
“LOP”	Large Open Position
“Mini-HSCEI”	Mini-Hang Seng China Enterprises Index
“Mini-HSI”	Mini-Hang Seng Index
“RF”	Reserve Fund
“SEHK”	Stock Exchange of Hong Kong
“SFC”	Securities and Futures Commission
“SSF”	Single Stock Futures
“SSO”	Single Stock Options

EXECUTIVE SUMMARY

1. Derivatives play an indispensable role in Hong Kong's financial markets. Exchange-traded derivatives are often utilised for risk management due to their transparency and efficiency in managing market exposures. A strong and sustainable derivatives market is crucial to Hong Kong's continued success as an international financial centre. Hong Kong Exchanges and Clearing Limited ("HKEX") regularly reviews the position limit regime and reporting requirements for its derivatives products. The proposed changes in this consultation paper aim to support the continuous growth of Hong Kong's derivatives market.
2. The current position limit regime for single stock options ("SSO") has been in place since 2017 and there have been no revisions for the position limit regime of single stock futures ("SSF") since their introduction in 1995.
3. Part 1 of this consultation paper focuses on SSO traded on The Stock Exchange of Hong Kong Limited ("SEHK") and SSF traded on Hong Kong Futures Exchange Limited ("HKFE"). The paper seeks comments on the proposal to introduce additional tiers (200,000 and 250,000 contracts) to the SSO exchange-level position limit model and introduce a tiered exchange-level position limit model for SSF.
4. Part 2 of this consultation paper seeks comments on the proposed changes to exchange-level position limits for mini-HSI and mini-HSCEI futures and options contracts and the exchange-determined Large Open Position ("LOP") reporting requirements.

PART 1: SINGLE STOCK OPTIONS AND SINGLE STOCK FUTURES POSITION LIMITS

Background of HKEX's SSO and SSF Position Limits

5. Hong Kong's statutory position limits for exchange-traded futures and options are prescribed in the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y of the Laws of Hong Kong)(the "Rules"). The statutory position limits are enforced by the Securities and Futures Commission ("SFC"). Failure to comply with the statutory position limits may constitute a criminal offence and subject the offender to a fine and/or imprisonment.
6. In addition to statutory position limits, SEHK and HKFE also impose position limits under their respective rules ("exchange-level position limits"). The exchange-level position limits must not exceed the statutory position limits.

Overview and description of current position limit structures

Single Stock Options

7. The current position limit regime for exchange-traded SSO has been in place since 2017¹. The statutory position limit for SSO is 150,000 open contracts per option class in any one market direction, for all expiry months combined².
8. SEHK's rules set out the exchange-level position limits on SSO imposed on Exchange Participants ("EPs") and, independently, on their clients. Based on the existing model, 53 of the 124 SSO classes are subject to a position limit of 50,000 contracts, 20 are subject to a limit of 100,000 contracts, and 51 are subject to a limit of 150,000 contracts. Refer to Appendix I for details of the existing exchange-level position limit model for SSO.

Single Stock Futures

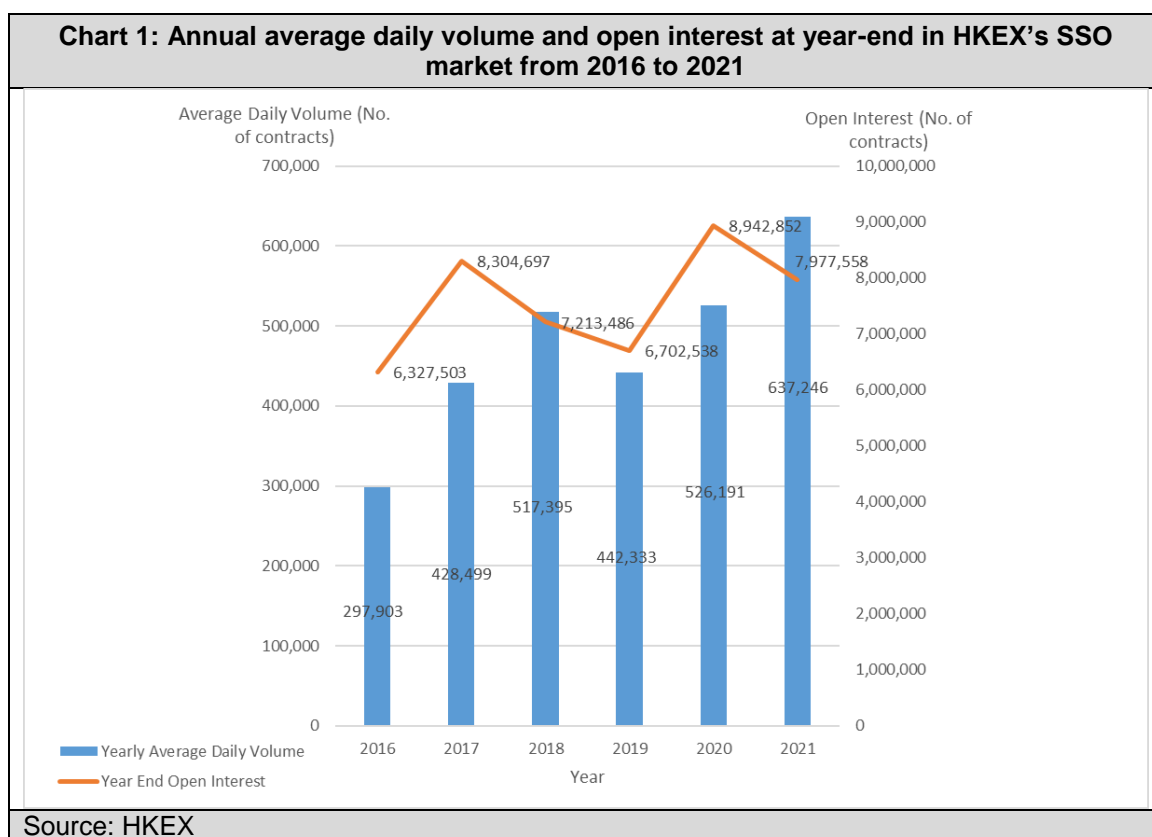
9. The statutory position limit for SSF is 5,000 contracts for any one contract month. With five contract months listed for each SSF, this means a maximum statutory position limit of 25,000 contracts across all contract months for each SSF. The position limit is measured on a gross basis. Positions in one contract month do not offset with opposite positions in other contract months.
10. HKFE's rules set out the exchange-level position limits on SSF imposed on EPs and, independently, on their clients, which is 5,000 contracts for any one contract month.

¹ In 2017, the SSO exchange-level position limit was revised from a two-tier system to a three-tier system with position limits 50,000, 100,000 or 150,000 contracts for all expiry months per market direction.

² For example, if the limit is 50,000 and an Options Exchange Participant is long a total of 35,000 calls and 15,000 puts and short a total of 10,000 puts and 32,000 calls in the same option class, the limit is not breached because the positions in one market direction are 45,000 contracts (long 35,000 calls and short 10,000 puts) and 47,000 contracts (short 32,000 calls and long 15,000 puts) in another market direction.

Market evolution

11. The rapid development of the market in recent years calls for the Hong Kong position limit regime to be regularly reviewed to maintain the city's competitiveness as an international financial centre and risk management centre.
12. As the number of listed companies increased in Hong Kong, the number of SSO classes has also increased, climbing from 84 in 2016 to 124 in 2021. Over the same period, average daily volume of SSO trading rose at an average annual growth rate of 16.4%, from 297,903 contracts in 2016 to 637,246 contracts in 2021.
13. HKFE's SSF offering has grown from 38 SSF in 2011 to 92 SSF in 2021. During this time, average daily volume has increased from 1,809 to 9,608 lots traded, at an average annual growth rate of 18%.
14. Since the introduction of the current three-tier SSO position limit model in 2017, there has been significant growth in HKEX's SSO market. The year-end open interest grew at an average annual rate of 4.7% (from around 6.3 million contracts to around 8.0 million contracts) and utilisation on position limits over 90% on certain option classes has been observed in the past four years. Chart 1 below shows the annual average daily volume and open interest in HKEX's SSO market from 2016 to 2021:



15. In 2017 an annual review mechanism was introduced for SSO position limits. There have been five annual reviews upon which some SSO classes were reclassified into another tier since the introduction of the current three-tier SSO position limit model. The tiered structure has been effective in reclassifying SSO classes into appropriate tiers based on the changes in the profile of the underlying stocks.

Table 1: Summary of SSO tier reclassifications in annual reviews					
	Apr-18	Apr-19	Apr-20	Apr-21	Apr-22
Number of SSO classes reclassified into higher tier	12	8	6	19	19
Number of SSO classes reclassified into lower tier	1	13	12	1	12
Total number of SSO classes reclassified into other tiers	13	21	18	20	31
Source: HKEX					

16. Market participants are familiar with the tiered structure, and the adjustment period between the review announcement date in December to the effective date in April the following year. The past five annual reviews on SSO operated smoothly with no concerns raised.
17. There has also been significant growth in SSF open interest. SSF year-end open interest has grown from 11,277 in 2011 to 29,311 in 2021, at an average annual growth rate of 10%.
18. At mid-month observations throughout Q1 2022, the SSF open interest distribution across contract months is as follows:

Contract month	Open Interest (% of total)
Spot month	51%
Spot next serial month	33%
Third serial month	7%
First quarter month	5%
Second quarter month	4%

Proposed Changes to SSO Position Limits

Rationale for additional tiers and maximum limit change

19. The changes made to the SSO position limit model in 2017 have supported the development of the SSO market. The growth of this market is reflected in the increase in average daily volume and open interest, as shown in Chart 1.
20. Using the existing methodology, we observe that a number of SSO classes have sufficient underlying liquidity for position limits in excess of 150,000 contracts, but are limited by the cap of 150,000 contracts. The existing maximum position limit may not provide adequate capacity for SSO.
21. HKEX proposes to add two additional tiers, namely 200,000 and 250,000 contracts, to evolve the existing SSO position limit model from a three-tier model to a five-tier model, in order to support market growth and provide more flexibility to the market.
22. The proposal will continue to adopt the same principles in its calculation methodology as in the existing model, using the same parameters which reference the market

capitalisation and liquidity of the underlying stocks. The proposal will also retain the annual review mechanism.

The proposed five-tier SSO position limit model

23. In addition to the existing tiers of 50,000, 100,000, and 150,000 contracts, two additional tiers at 200,000 and 250,000 contracts will be introduced.
24. The exchange-level position limit is set based on the contract-equivalent number and shall be calculated by reference to the market capitalisation and liquidity of the underlying stock relating to the particular SSO.
 - If the contract-equivalent number is equal to or higher than 250,000 contracts, the position limit will be set at 250,000 contracts.
 - If the contract-equivalent number is equal to or higher than 200,000 but lower than 250,000 contracts, the position limit will be set at 200,000 contracts.
 - If the contract-equivalent number is equal to or higher than 150,000 but lower than 200,000 contracts, the position limit will be set at 150,000 contracts.
 - If the contract-equivalent number is equal to or higher than 100,000 but lower than 150,000 contracts, the position limit will be set at 100,000 contracts.
 - If the contract-equivalent number is lower than 100,000 contracts, the position limit will be set at 50,000 contracts.

The tiers are illustrated in the following table.

Tier	Contract-equivalent number (X)	Proposed position limit*
1	250,000 contracts \leq X	250,000 contracts
2	200,000 \leq X < 250,000 contracts	200,000 contracts
3	150,000 \leq X < 200,000 contracts	150,000 contracts
4	100,000 \leq X < 150,000 contracts	100,000 contracts
5	X < 100,000 contracts	50,000 contracts

* Calculation based on the number of open contracts per SSO class in any one market direction for all expiry months combined

The contract-equivalent number³ (i.e. “X” in the table above) is equal to 5% of the outstanding shares of the underlying stock divided by the contract size, with a floor and a ceiling applied. The floor and ceiling are both measured in terms of the underlying stock’s six month turnover. The floor is 25% of the six month turnover. The ceiling is 33% of the six month turnover.

25. In line with the existing SSO position limit model, the calculation of the contract-equivalent number will be subject to an additional liquidity threshold at 6.7% of the past six months’ turnover of the underlying stock. The liquidity threshold will continue to be in place and could be revised from time to time, as deemed appropriate by SEHK.

³ Refer to Appendix I for details on the calculation methodology of the existing SSO position limit model, which is also adopted in the proposed model.

26. There are five tiers of SSO position limits in the proposed model. The following tables illustrate the number of SSO classes in each tier before and after the change. Refer to Appendix II for details.

Existing Model

Tier	Position limit (number of contracts)	Number of option classes in the tier
1	150,000	51
2	100,000	20
3	50,000	53

Proposed Model

Tier	Position limit* (number of contracts)	Number of option classes in the tier
1	250,000	29
2	200,000	6
3	150,000	16
4	100,000	20
5	50,000	53

**Based on data from May to October 2021; calculation based on the number of open contracts per SSO class in any one market direction for all expiry months combined*

27. Currently, 51 out of 124 SSO classes are subject to the maximum position limit of 150,000 contracts. With the addition of two higher position limit tiers, 69% of the SSO classes currently capped at the 150,000 limit will be subject to a higher limit, with the majority being in the top 250,000 tier.
28. Examples of the calculation of the SSO position limits under the proposed model are shown in Table 2 below:

Calculation methodology Underlying stock (stock code)	(a) Projected contract-equivalent number ('000 contracts)	(b) Ceiling and floor ² ('000 contracts)		(c) Projected contract-equivalent number after applying ceiling and floor ³ ('000 contracts)	(d) Position limit liquidity threshold ⁴ ('000 contracts)	(e) Projected contract-equivalent number after applying liquidity threshold ⁵ ('000 contracts)	(f) Proposed position limit ⁶ ('000 contracts)
		Ceiling	Floor				
Power Assets Holdings Ltd. (6)	213	208	157	208	42	42	50
Agricultural Bank of China Ltd. (1288)	154	515	390	390	104	104	100
BYD Company Limited (1211)	105	841	637	637	170	170	150
Bank of Communications Co., Ltd. (3328)	1,751	1,057	801	1,057	214	214	200
Meituan (3690)	546	2,291	1,736	1,736	463	463	250

Source: HKEX, as of 29 October 2021

1 (a) equals 5% of the outstanding shares of the underlying stock divided by the SSO contract size. The contract sizes for the stocks are as follows, Power Assets Holdings Ltd: 500 shares; Agricultural Bank of China Ltd: 10,000 shares; BYD Company Limited: 500 shares; Bank of Communications Co., Ltd: 1,000 shares; and Meituan: 500 shares.

2 Ceiling equals 33% of 6-month turnover of underlying stock (divided by SSO contract size); floor equals 25% of 6-month turnover of underlying stock (divided by SSO contract size)

3 Equals the number specified in column (a), subject to the 33% ceiling and 25% floor in column (b), as set out in the methodology in paragraph 24

4 6.7% of 6-month turnover of underlying stock divided by SSO contract size

5 Takes lower of the value from (c) or (d) as specified in paragraph 25

6 Allocation into tier, based on the model detailed in paragraph 24

29. The annual review mechanism will continue to be in place under the proposed model for tier reclassifications.

Consultation question

Q1: In line with the existing methodology, HKEX is proposing to add two tiers of exchange-level position limit (200,000 and 250,000 contracts) which will increase the maximum limit to 250,000 contracts for exchange-level position limit for SSO. Would you agree to such change, in view of business needs, risk implications to the Hong Kong market and operational considerations? Please give reasons for your view.

Proposed Model

Position limit (number of contracts)
250,000 (new)
200,000 (new)
150,000
100,000
50,000

Proposed Changes to SSF Position Limits

Rationale for additional tiers and maximum limit change

30. Hong Kong's existing position limit regime for SSF has been in place for over 26 years. Since its introduction in 1995, there have been no revisions. The current SSF position limit is not risk-based. The same position limit applies to all SSF without regard to the liquidity profile or market capitalisation of the underlying stocks.
31. HKEX believes that a review of the SSF position limit regime is appropriate. HKEX's review of the existing SSF position limit regime has identified the following technical issues:
32. Under the existing regime, all SSF are subject to a position limit of 5,000 contracts. This static limit does not take into account the market capitalisation and liquidity profile of the respective underlying stocks. HKEX's proposed SSF position limit regime does take these risk characteristics into account.

Table 3. Position limit to market capitalisation ratio – selected HKEX SSF		
Underlying stock (stock code)	SSF position limit, notional value*	Ratio of position limit to market capitalisation
Tencent (700)	\$942m	0.03%
Bilibili (9626)	\$325m	0.39%
Sunac China (1918)	\$227m	0.91%
Geely Automobile (175)	\$1,546m	1.25%
Sunny Optical (2382)	\$3,160m	2.28%
iShares FTSE A50 ETF (2823)	\$2,011m	11.97 %
Source: HKEX, as of 31 March 2022		
*Assumes maximum position limit as 25,000 contracts; 5,000 contracts across 5 contract months		

33. The current SSF position limit regime does not have a regular review mechanism to cater for material changes in the market capitalisation and liquidity of the underlying stock. In addition, there is no adjustment mechanism for corporate actions that affect the underlying stocks, such as stock split or reduction in board lot size.

The proposed five-tier SSF position limit model

34. HKEX proposes a five-tier model for the exchange-level position limit for SSF. Under the proposal, the position limit is set with reference to the market capitalisation and liquidity of the underlying stocks. Details of the methodology are described below.
35. The position limit for each tier is 5,000, 10,000, 15,000, 20,000 and 25,000 contracts, respectively.

36. The position limit is set based on the contract-equivalent number and shall be calculated by reference to the market capitalisation and liquidity of the underlying stock relating to the particular SSF.
- If the contract-equivalent number is equal to or higher than 25,000 contracts, the position limit will be set at 25,000 contracts.
 - If the contract-equivalent number is equal to or higher than 20,000 but lower than 25,000 contracts, the position limit will be set at 20,000 contracts.
 - If the contract-equivalent number is equal to or higher than 15,000 but lower than 20,000 contracts, the position limit will be set at 15,000 contracts.
 - If the contract-equivalent number is equal to or higher than 10,000 but lower than 15,000 contracts, the position limit will be set at 10,000 contracts.
 - If the contract-equivalent number is lower than 10,000 contracts, the position limit will be set at 5,000 contracts.

The tiers are illustrated in the following table.

Tier	Contract-equivalent number (X)	Proposed position limit
1	25,000 contracts \leq X	25,000 contracts
2	20,000 \leq X < 25,000 contracts	20,000 contracts
4	15,000 \leq X < 20,000 contracts	15,000 contracts
5	10,000 \leq X < 15,000 contracts	10,000 contracts
6	X < 10,000 contracts	5,000 contracts

37. The contract-equivalent number⁴ (i.e. “X” in the table above) is equal to 5% of the outstanding shares of the underlying stock divided by the contract size, with a floor and a ceiling applied. The floor and ceiling are both measured in terms of the underlying stock’s six month turnover. The floor is 25% of the six month turnover. The ceiling is 33% of the six month turnover. This is the same methodology currently applied for SSO position limits.
38. The proposed position limit will be the net position, the combination of positions in all contract months for any particular SSF.

Prudence Measures

39. In the proposed model, the calculation of the contract-equivalent number will be subject to an additional liquidity threshold at 1.34% of the past six months’ turnover of the underlying stock. The liquidity threshold could be revised from time to time as deemed appropriate by HKFE.
40. Examples of the calculation of the SSF position limit under the proposed model are shown in Table 4 below.

⁴ Contract-equivalent number refers to the number of shares calculated from formula above, and then divided by the contract size.

Calculation methodology Underlying stock (stock code)	(a) Projected contract-equivalent number ¹ ('000 contracts)	(b) Ceiling and floor ² ('000 contracts)		(c) Projected contract-equivalent number after applying ceiling and floor ³ ('000 contracts)	(d) Position limit liquidity threshold ⁴ ('000 contracts)	(e) Projected contract-equivalent number after applying liquidity threshold ⁵ ('000 contracts)	(f) Proposed position limit ⁶ ('000 contracts)
		Ceiling	Floor				
Power Assets Holdings Limited (6)	213	208	157	208	8	8	5
Agricultural Bank of China Ltd. (1288)	154	515	390	390	21	21	20
BYD Company Limited (1211)	105	841	637	637	34	34	25
Bank of Communications Co., Ltd. (3328)	1,751	1,057	801	1,057	43	43	25
Meituan (3690)	546	2,291	1,736	1,736	93	93	25

Source: HKEX, as of 29 October 2021

1 (a) equals 5% of outstanding shares of the underlying stock divided by the SSF contract size. The contract sizes for the stocks are as follows, Power Assets Holdings Ltd: 500 shares; Agricultural Bank of China Ltd: 10,000 shares; BYD Company Limited: 500 shares; Bank of Communications Co., Ltd: 1,000 shares; and Meituan: 500 shares.

2 Ceiling equals 33% of 6-month turnover of underlying stock (divided by SSF contract size); floor equals 25% of 6-month turnover of underlying stock (divided by SSF contract size)

3 Equals the number specified in column (a), subject to the 33% ceiling and 25% floor in column (b), as set out in the methodology in paragraph 37

4 1.34% of 6-month turnover of underlying stock divided by SSF contract size

5 Takes lower of the value from (c) or (d) as specified in paragraph 39

6 Allocation into tier, based on the model detailed in paragraph 36

41. A net position limit allows participants to have a large spread position. To limit the magnitude of a spread position, while providing participants the flexibility to support calendar spread trading, a single-month position limit at two times of the net position limit for all contract months combined is proposed. For example, if a SSF has a net position limit of 20,000 contracts for all contract months combined, the position limit for any one contract month of such SSF may not exceed 40,000 contracts.
42. There are five tiers of position limits in the proposed model. The following table illustrates the number of SSF in each tier:

Proposed Model

Position limit* (number of contracts)	Number of SSF in the tier
25,000	46
20,000	9
15,000	9
10,000	7
5,000	27

*Based on data from May 2021 to October 2021

Compared with the existing model, distribution of SSF across five tiers reflects the liquidity profile of the respective underlying stocks.

Review Mechanism

43. The proposed model includes regular reviews. The reviews will be conducted annually at the end of November, and the results will be announced in the following month, i.e. December. If revisions are necessary, they will take effect on 1 April of the following year to allow participants to unwind any excess positions.

For Capital Adjustments

44. The proposed model also includes a mechanism for reviews in connection with corporate actions. Following a corporate action which results in a material change in the value of an underlying stock, HKFE may (but is not required to) consider adjusting the contract size of the affected SSF to substantively maintain the notional value of the SSF.

Consultation question

Q2: Do you support the revision of the current SSF position limit model with the introduction of a five-tier model applicable to net positions (with 25,000 contracts as maximum position limit), a single month position limit set at two times the net limit, and a review mechanism for both annual adjustments and corporate actions, in view of business needs, risk implications to Hong Kong market and operational considerations? Please give reasons for your view.

Proposed Model

Net position limit (number of contracts)
25,000 (new)
20,000 (new)
15,000 (new)
10,000 (new)
5,000 (new)

PART 2: MINI-HSI & MINI-HSCEI FUTURES AND OPTIONS POSITION LIMITS, AND LARGE OPEN POSITION REPORTING REQUIREMENTS

The existing position limits and LOP reporting requirements applicable to mini-HSI and mini-HSCEI contracts

45. To meet the needs of retail investors with an interest in the Hong Kong equity derivatives market, HKFE introduced Mini-Hang Seng Index (“Mini-HSI”) futures contracts on 9 October 2000 and Mini-Hang Seng China Enterprises Index (“Mini-HSCEI”) futures contracts on 31 March 2008. To complement the futures contracts, Mini-HSI options contracts were introduced on 18 November 2002 and Mini-HSCEI options contracts were introduced on 5 September 2016. Mini-HSI futures, Mini-HSI options, Mini-HSCEI futures and Mini-HSCEI options are collectively referred to as “flagship-minis” in this consultation paper.
46. HKFE’s rules set out the exchange-level position limits on flagship-minis imposed on EPs and, independently, on their clients. Under HKFE Rule 628, an EP holding positions in excess of the reporting level for its own account or any client shall submit a Large Open Position (“LOP”) report to HKFE, and continue to file a LOP report for as long as the EP holds positions in excess of the reporting level.
47. The Mini-HSI futures & options contracts are based on Hong Kong’s benchmark Hang Seng Index (“HSI”), which is also the underlying index for the standard sized HSI futures & options contracts. The contract multiplier of the Mini-HSI futures & options contracts is HK\$10.00, or one-fifth the size of the standard-sized HSI futures & options contracts. Similarly, the Mini-HSCEI futures & options contracts are based on Hong Kong’s benchmark Hang Seng China Enterprises Index (“HSCEI”), which is also the underlying index for the standard-sized HSCEI futures & options contracts. The contract multiplier of the Mini-HSCEI futures & options contracts is HK\$10.00 or one-fifth the size of the standard sized HSCEI futures & options contracts. Since their introduction, flagship-minis have been subject to different position limit and LOP reporting requirements from the standard-sized contracts.
48. The position limit for Mini-HSI contracts is prescribed within the position delta limit on all HSI contracts combined, with an additional position delta limit of 2,000 contracts applicable only to Mini-HSI contracts. Similarly, Mini-HSCEI contracts are prescribed within the position delta limit on all HSCEI contracts combined, with an additional position delta limit of 2,400 contracts applicable only to Mini-HSCEI contracts.
49. The current LOP requirements under the HKFE rules on the flagship-minis is 2,500 contracts in any one contract month (for futures), and in any one series (for options). The current LOP requirements under the HKFE rules on standard-sized HSI and HSCEI futures & options contracts is 500 open contracts, in any one contract month (for futures), and in any one series (for options).

Rationale for proposed changes

50. Flagship-minis have become a more developed market since the launch of the contracts. Index arbitrage has been one of the most important trading strategies, which involves trading between standard-sized contracts and flagship-minis. Arbitrage trading has facilitated price discovery of the flagship-minis and improved their liquidity.
51. The current additional position limit restrictions that apply specifically to flagship-minis hinder the development of the flagship-minis, and the trading activities that can make price discovery more efficient and reduce the cost of transacting for the investing public.
52. The flagship-minis are fungible⁵ with their respective standard-sized contracts. With the improved liquidity and development of index arbitrage activities between the standard-sized contracts and flagship-minis, the fungible nature of the contracts and the position delta limit applicable to the combined contracts have served as effective tools to manage the risk of a concentrated holding in the flagship-minis, making the additional position limit applicable only to the flagship-minis unnecessary.
53. Aligning the LOP reporting requirements for all contracts that reference the same index or reference the futures on the same index can standardise monitoring across all such products.

Description of proposed changes

54. HKEX is consulting on two proposed changes for flagship-minis. First, HKEX is consulting on the removal of the additional position limits that apply only to the flagship-minis. Second, HKEX is consulting on the standardisation of LOP reporting requirements.
55. Under the current position limit regime, flagship-minis' position limits are based on a combined position delta with other standard-sized contracts, and are subject to an additional position limit which applies to flagship-minis only. Given the overall position limit is based on positions across all contracts in the product family, HKEX proposes to remove the additional position limit that applies only to flagship-minis.
56. Proposed amendment on the position limit:

Current exchange-level position limit for products that reference HSI or reference HSI futures	Proposed exchange-level position limit for products that reference HSI or reference HSI futures
Position delta for Hang Seng Index Futures, Hang Seng Index Options, Hang Seng Index Futures Options, Mini-Hang Seng Index Futures, Mini-Hang Seng Index Options, Hang Seng Index (Gross Total Return Index) Futures, Hang Seng Index (Net Total Return Index) Futures combined and Weekly Hang Seng Index Options combined of 10,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng Index	Position delta for Hang Seng Index Futures, Hang Seng Index Options, Hang Seng Index Futures Options, Mini-Hang Seng Index Futures, Mini-Hang Seng Index Options, Hang Seng Index (Gross Total Return Index) Futures, Hang Seng Index (Net Total Return Index) Futures combined and Weekly Hang Seng Index Options combined of 10,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng Index

⁵ Positions in standard sized contracts and flagship-minis will be netted automatically (in the case of House and Market Maker accounts) or may be closed out (in the case of Client account) in accordance with the Clearing House Rules

<p>Futures or Mini-Hang Seng Index Options shall not at any time exceed 2,000 long or short in all Contract Months combined. For this purpose, (i) the position delta of one Mini-Hang Seng Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng Index Option Contract; and (ii) the position delta of one Hang Seng Index (Gross Total Return Index) Futures Contract and one Hang Seng Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng Index Futures and will be announced by the Exchange from time to time.</p>	<p>Futures or Mini-Hang Seng Index Options shall not at any time exceed 2,000 long or short in all Contract Months combined. For this purpose, (i) the position delta of one Mini-Hang Seng Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng Index Option Contract; and (ii) the position delta of one Hang Seng Index (Gross Total Return Index) Futures Contract and one Hang Seng Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng Index Futures and will be announced by the Exchange from time to time.</p>
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Current exchange-level position limit for products that reference HSCEI or reference HSCEI futures	Proposed exchange-level position limit for products that reference HSCEI or reference HSCEI futures
<p>Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures, Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures Options, Hang Seng China Enterprises Index (Gross Total Return Index) Futures, Hang Seng China Enterprises Index (Net Total Return Index) Futures and Weekly Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months and Contract Weeks (where applicable) combined, provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined. For this purpose, (i) the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and (ii) the position delta of one Hang Seng China Enterprises Index (Gross Total Return Index) Futures Contract and one Hang Seng China Enterprises Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng China Enterprises Index Futures and will be announced by the Exchange from time to time.</p>	<p>Position delta for Mini-Hang Seng China Enterprises Index Futures, Mini-Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures, Hang Seng China Enterprises Index Options, Hang Seng China Enterprises Index Futures Options, Hang Seng China Enterprises Index (Gross Total Return Index) Futures, Hang Seng China Enterprises Index (Net Total Return Index) Futures and Weekly Hang Seng China Enterprises Index Options combined of 12,000 long or short in all Contract Months and Contract Weeks (where applicable) combined; provided the position delta for Mini-Hang Seng China Enterprises Index Futures or Mini-Hang Seng China Enterprises Index Options shall not at any time exceed 2,400 long or short in all Contract Months combined. For this purpose, (i) the position delta of one Mini-Hang Seng China Enterprises Index Futures Contract will have a value of 0.2 and the position delta of one Mini-Hang Seng China Enterprises Index Option Contract will be one-fifth of the position delta of the corresponding series in the Hang Seng China Enterprises Index Option Contract; and (ii) the position delta of one Hang Seng China Enterprises Index (Gross Total Return Index) Futures Contract and one Hang Seng China Enterprises Index (Net Total Return Index) Futures Contract will be based on their contract value ratios versus Hang Seng China Enterprises Index Futures and will be announced by the Exchange from time to time.</p>

57. For administrative standardisation in terms of number of contracts, HKEX proposes to revise the LOP reporting level on flagship-minis from 2,500 contracts to 500 contracts; matching the LOP reporting level on the standard-sized contracts.

Consultation questions

Q3: Considering that flagship-minis are included in the position limits for products that reference the same index, do you support removal of the additional position limit that applies only to flagship-minis, in view of business needs, risk implications to Hong Kong market and operational considerations? Please give reasons for your view.

Q4: Do you support revising the Large Open Position reporting requirement (from 2,500 to 500 contracts) for Mini-HSI and Mini-HSCEI futures and options, in view of business needs, risk implications to Hong Kong market and operational considerations? Please give reasons for your view.

RISK CONSIDERATIONS

58. HKEX has assessed the risks involved in revision of the position limit regime as proposed in this consultation paper. The risk management arrangements cover three areas, including market liquidity, clearing risk, and monitoring.
59. From a market liquidity perspective, the liquidity threshold in the proposed model prevents speculative positions concentrated in any single expiry month from having an impact on liquidity for SSO and SSF. The liquidity threshold could be revised, as deemed appropriate by HKEX.
60. From a clearing risk perspective, the existing risk management arrangements are scalable to provide appropriate coverage to mitigate potential additional risk (including market and credit risks) arising from the proposal. Key risk mitigation tools include:
- (i) Initial Margin: this is calculated in proportion to the risk exposed to the clearing house. More margin will be collected to cover any increase in positions and thus risk exposure.
 - (ii) Capital Based Position Limit (“CBPL”): this is imposed to ensure that risk exposure is commensurate with the financial strength of Clearing Participants (“CPs”). Any CP exceeding its own CBPL will be required to increase their capital and/or reduce their positions to ensure compliance within a pre-defined timeframe in which additional margin in excess of its CBPL will be imposed until the breach is rectified.
 - (iii) Concentration Margin: this is used to address the risk arising from the over-concentration of positions on one CP, and will be imposed if the prescribed triggering criteria is met; and
 - (iv) Reserve Fund (“RF”): this is scalable and adjustable according to the risk exposure. It is designed to cover the residual risk exposure under the stress testing assumptions after deducting the required margin from the CPs assumed to default (i.e. 1st and 5th largest CPs). An increase in position limit does not necessarily mean increasing the positions and thus risk exposure from 1st and 5th largest CPs, therefore, there is no direct relationship between the proposed increase in position limit and RF. Nevertheless, if there is an increase in the residual loss from 1st and 5th largest CPs, more CP contributions will be collected.
61. From a monitoring perspective, HKEX has measures in place to manage the risk of position accumulation in the market. For example, there are LOP reporting requirements to minimise the potential impact of the stock options market on financial market stability and to facilitate market surveillance.

TIMELINE

62. The consultation period is four weeks and will close on 30 June 2022. HKEX will then summarise the comments received and publish consultation conclusions. As HKEX's position limit cannot exceed the statutory position limit, and the statutory position limit is prescribed in the Securities and Futures (Contracts Limits and Reportable Positions) Rules and enforced by the SFC, HKEX will discuss the results of the consultation with the SFC to determine the next step(s).

APPENDIX I: EXISTING MODEL FOR EXCHANGE-LEVEL POSITION LIMITS ON SSO

Existing SSO Position Limit Model

1. In accordance with paragraph 5.9A of SEHK's Operational Trading Procedures for Options Trading Exchange Participants, the SSO position limit is set based on the contract-equivalent number and is calculated by reference to the market capitalisation and liquidity of the underlying stock relating to that particular SSO.
2. The exchange-level position limits for SSO under the existing three-tier system are 50,000, 100,000 and 150,000 contracts. If the contract-equivalent number is equal to or higher than 150,000 contracts, the position limit will be set at 150,000 contracts. If the contract-equivalent number is equal to or higher than 100,000 but lower than 150,000 contracts, the position limit will be set at 100,000 contracts. If the contract-equivalent number is lower than 100,000 contracts, the position limit will be set at 50,000 contracts. The tiers are illustrated in the following table.

Tier	Contract-equivalent number (X)	Proposed position limit*
1	150,000 contracts \leq X	150,000 contracts
2	100,000 \leq X < 150,000 contracts	100,000 contracts
3	X < 100,000 contracts	50,000 contracts

*On the basis of existing practice: the number of open contracts per option class in any one market direction for all expiry months combined

X = 5% of the outstanding shares divided by the contract size subject to the provisions set out below:

- (i) if 5% of the outstanding shares is less than 25% of the stock's turnover for the previous six months (the "25% Threshold"), X shall be deemed to be equal to the 25% Threshold divided by the contract size subject to (iii) below;
- (ii) if 5% of the outstanding shares is greater than 33% of the stock's turnover for the previous six months (the "33% Threshold"), X shall be deemed to be equal to the 33% Threshold divided by the contract size subject to (iii) below; and
- (iii) if X as calculated above is more than the Liquidity Threshold divided by the contract size, it shall be deemed to be equal to the Liquidity Threshold divided by the contract size. "Liquidity Threshold" means 6.7% of the stock's turnover in the previous six months.

The Liquidity Threshold could be revised from time to time as deemed appropriate by the Exchange.

Regular review

3. The position limits are to be reviewed regularly on an annual basis to adjust for any substantial changes due to market development. The formula above is applied to all SSO classes at the end of November each year, and if revisions are required, the

updated position limits will be announced in December in the same year, and they will take effect on the first business day of April in the next calendar year.

For corporate action

4. Following a corporate action which results in a material change in the value of an underlying stock, SEHK may consider adjusting the contract size of the affected SSO to substantively maintain its notional value.

APPENDIX II: EXISTING AND PROPOSED NEW TIERS FOR SSO/SSF

No	Underlying Stock Name	SEHK Code	HKATS SSO Code	Current SSO PL	Proposed SSO PL	Change in SSO Contracts	Proposed SSF PL
1	HSBC Holdings Plc	5	HKB	150,000	250,000	+100,000	25,000
2	China Petroleum & Chemical Corp.	386	CPC	150,000	250,000	+100,000	25,000
3	Hong Kong Exchanges & Clearing Ltd	388	HEX	150,000	250,000	+100,000	25,000
4	Tencent Holdings Limited	700	TCH	150,000	250,000	+100,000	25,000
5	China Telecom Corporation Ltd.	728	CTC	150,000	250,000	+100,000	25,000
6	Petrochina Company Limited	857	PEC	150,000	250,000	+100,000	25,000
7	CNOOC Ltd	883	CNC	150,000	250,000	+100,000	25,000
8	China Construction Bank Corp	939	XCC	150,000	250,000	+100,000	25,000
9	China Mobile Ltd.	941	CHT	150,000	250,000	+100,000	25,000
10	Kuaishou Technology	1024	KST	150,000	250,000	+100,000	25,000
11	China Shenhua Energy Company Limited	1088	CSE	150,000	250,000	+100,000	25,000
12	Industrial and Commercial Bank	1398	XIC	150,000	250,000	+100,000	25,000
13	Ganfeng Lithium Company Limited	1772	GLI	150,000	250,000	+100,000	25,000
14	Xiaomi Corporation	1810	MIU	150,000	250,000	+100,000	25,000
15	COSCO SHIPPING Holdings Co., Ltd.	1919	CCS	150,000	250,000	+100,000	25,000
16	Sands China Ltd.	1928	SAN	150,000	250,000	+100,000	25,000
17	WuXi Biologics (Cayman) Inc.	2269	WXB	150,000	250,000	+100,000	25,000
18	Ping An Insurance (Group) Co. of China Ltd.	2318	PAI	150,000	250,000	+100,000	25,000
19	Li Ning Company Limited	2331	LNI	150,000	250,000	+100,000	25,000
20	Aluminum Corporation of China Ltd.	2600	ALC	150,000	250,000	+100,000	25,000
21	China Life Insurance Company Ltd.	2628	CLI	150,000	250,000	+100,000	25,000
22	China Evergrande Group	3333	EVG	150,000	250,000	+100,000	25,000
23	Meituan Dianping	3690	MET	150,000	250,000	+100,000	25,000
24	China Merchants Bank Co., Ltd.	3968	CMB	150,000	250,000	+100,000	25,000
25	Bank of China Ltd.	3988	XBC	150,000	250,000	+100,000	25,000
26	Alibaba	9988	ALB	150,000	250,000	+100,000	25,000
27	Great Wall Motor Company Ltd.	2333	GWM	150,000	250,000	+100,000	5,000
28	Tracker Fund	2800	TRF	150,000	250,000	+100,000	5,000
29	ANTA Sports Products Ltd.#	2020	ANA	150,000	250,000	+100,000	N/A
30	Xinyi Solar Holdings Limited	968	SHL	150,000	200,000	+50,000	25,000
31	China Coal Energy Company Limited	1898	CCE	150,000	200,000	+50,000	25,000
32	Zijin Mining Group Company Limited	2899	ZJM	150,000	200,000	+50,000	25,000
33	Bank of Communications Co., Ltd.	3328	BCM	150,000	200,000	+50,000	25,000

No	Underlying Stock Name	SEHK Code	HKATS SSO Code	Current SSO PL	Proposed SSO PL	Change in SSO Contracts	Proposed SSF PL
34	China CITIC Bank Corporation Limited	998	CTB	150,000	200,000	+50,000	5,000
35	Lenovo Group Ltd.	992	LEN	150,000	200,000	+50,000	N/A
36	Hong Kong & China Gas Co Ltd	3	HKG	150,000	150,000	0	25,000
37	Alibaba Health Information Technology Ltd.	241	ALH	150,000	150,000	0	25,000
38	CITIC Ltd.	267	CIT	150,000	150,000	0	25,000
39	China Unicom (Hong Kong) Limited	762	CHU	150,000	150,000	0	25,000
40	China Tower Corporation Ltd.	788	XTW	150,000	150,000	0	25,000
41	Huaneng Power International Inc.	902	HNP	150,000	150,000	0	25,000
42	Semiconductor Manufacturing International Corp.	981	SMC	150,000	150,000	0	25,000
43	BYD Company Limited	1211	BYD	150,000	150,000	0	25,000
44	AIA Group Limited	1299	AIA	150,000	150,000	0	25,000
45	China Communications Construction Company Limited	1800	CCC	150,000	150,000	0	25,000
46	BOC Hong Kong (Holdings) Limited	2388	BOC	150,000	150,000	0	25,000
47	Baidu, Inc.	9888	BIU	150,000	150,000	0	25,000
48	China Railway Group Limited	390	CRG	150,000	150,000	0	N/A
49	CSPC Pharmaceutical	1093	CSP	150,000	150,000	0	N/A
50	China Railway Construction Corporation Limited	1186	CRC	150,000	150,000	0	N/A
51	Guangzhou R&F Properties Co., Ltd.	2777	RFP	150,000	150,000	0	N/A
52	The Bank of East Asia Ltd.	23	BEA	100,000	100,000	0	25,000
53	Anhui Conch Cement Company Limited	914	ACC	100,000	100,000	0	25,000
54	Sunac China Holdings Ltd	1918	SUN	100,000	100,000	0	25,000
55	JD Health International Inc.	6618	JDH	100,000	100,000	0	25,000
56	Hang Seng Bank Ltd.	11	HSB	100,000	100,000	0	20,000
57	Galaxy Entertainment Group Limited	27	GLX	100,000	100,000	0	20,000
58	Geely Automobile Holdings Ltd.	175	GAH	100,000	100,000	0	20,000
59	Yanzhou Coal Mining Company Limited	1171	YZC	100,000	100,000	0	20,000
60	Agricultural Bank of China Ltd.	1288	XAB	100,000	100,000	0	20,000
61	China Pacific Insurance (Group) Co., Ltd.	2601	CPI	100,000	100,000	0	20,000
62	CITIC Securities Co. Ltd.	6030	CTS	100,000	100,000	0	20,000
63	Haidilao International Holding Ltd.	6862	HDO	100,000	100,000	0	20,000
64	Bilibili Inc.	9626	BLI	100,000	100,000	0	20,000
65	Hang Seng H-Share Index ETF	2828	HCF	100,000	100,000	0	5,000
66	WH Group Ltd.	288	WHG	100,000	100,000	0	N/A
67	Jiangxi Copper Company Limited	358	JXC	100,000	100,000	0	N/A
68	Sino Biopharmaceutical Ltd.	1177	SBO	100,000	100,000	0	N/A
69	MGM China Holdings Ltd.	2282	MGM	100,000	100,000	0	N/A
70	China Mengniu Dairy Co. Ltd.	2319	MEN	100,000	100,000	0	N/A

No	Underlying Stock Name	SEHK Code	HKATS SSO Code	Current SSO PL	Proposed SSO PL	Change in SSO Contracts	Proposed SSF PL
71	China National Building Material Company Limited	3323	NBM	100,000	100,000	0	N/A
72	CK Hutchison Holdings Ltd.	1	CKH	50,000	50,000	0	15,000
73	BYD Electronic International Company Limited	285	BYE	50,000	50,000	0	15,000
74	China Overseas Land & Investment Limited	688	COL	50,000	50,000	0	15,000
75	Ping An Health and Technology Co., Ltd.	1833	PHT	50,000	50,000	0	15,000
76	Guangzhou Automobile Group Co Ltd	2238	GAC	50,000	50,000	0	15,000
77	PICC Property and Casualty Company Limited	2328	PIC	50,000	50,000	0	15,000
78	Kingsoft Corporation Ltd.	3888	KSO	50,000	50,000	0	15,000
79	JD.com, Inc.	9618	JDC	50,000	50,000	0	15,000
80	NetEase, Inc.	9999	NTE	50,000	50,000	0	15,000
81	MTR Corporation Limited	66	MTR	50,000	50,000	0	10,000
82	Kingdee International Software Group Co., Ltd.	268	KDS	50,000	50,000	0	10,000
83	New China Life Insurance Co. Ltd.	1336	NCL	50,000	50,000	0	10,000
84	China Cinda Asset Management Co., Ltd.	1359	CDA	50,000	50,000	0	10,000
85	Budweiser Brewing Company APAC Limited	1876	BUD	50,000	50,000	0	10,000
86	AAC Technologies Holdings Inc.	2018	AAC	50,000	50,000	0	10,000
87	Nongfu Spring Company Ltd.	9633	NFU	50,000	50,000	0	10,000
88	CLP Holdings Ltd.	2	CLP	50,000	50,000	0	5,000
89	The Wharf (Holdings) Ltd.	4	WHL	50,000	50,000	0	5,000
90	Power Assets Holdings Ltd.	6	HEH	50,000	50,000	0	5,000
91	Henderson Land Development Co. Ltd.	12	HLD	50,000	50,000	0	5,000
92	Sun Hung Kai Properties Ltd.	16	SHK	50,000	50,000	0	5,000
93	New World Development Co. Ltd.	17	NWD	50,000	50,000	0	5,000
94	Swire Pacific Ltd. - A	19	SWA	50,000	50,000	0	5,000
95	Link Real Estate Investment Trust	823	LNK	50,000	50,000	0	5,000
96	Xinyi Glass Holdings Limited	868	GHL	50,000	50,000	0	5,000
97	CGN Power Co., Ltd.	1816	CGN	50,000	50,000	0	5,000
98	China Minsheng Banking Corp., Ltd.	1988	MSB	50,000	50,000	0	5,000
99	Country Garden Holdings Co Ltd	2007	COG	50,000	50,000	0	5,000
100	Li Auto Inc.	2015	LAU	50,000	50,000	0	5,000
101	Sunny Optical Technology (Group) Co Ltd	2382	SNO	50,000	50,000	0	5,000
102	CSOP FTSE China A50 ETF	2822	CSA	50,000	50,000	0	5,000
103	iShares FTSE A50 China Index ETF	2823	A50	50,000	50,000	0	5,000
104	ChinaAMC CSI 300 Index ETF	3188	AMC	50,000	50,000	0	5,000
105	China Molybdenum Company Limited	3993	MOL	50,000	50,000	0	5,000
106	ZhongAn Online P & C Insurance Company Limited	6060	ZAO	50,000	50,000	0	5,000

No	Underlying Stock Name	SEHK Code	HKATS SSO Code	Current SSO PL	Proposed SSO PL	Change in SSO Contracts	Proposed SSF PL
107	Haitong Securities Co., Ltd.	6837	HAI	50,000	50,000	0	5,000
108	XPeng Inc.	9868	PEN	50,000	50,000	0	5,000
109	Weibo Corporation	9898	WEB	50,000	50,000	0	5,000
110	Trip.com Group Ltd.	9961	TRP	50,000	50,000	0	5,000
111	Kunlun Energy Co. Ltd.	135	KLE	50,000	50,000	0	N/A
112	Want Want China Holdings Ltd.	151	WWC	50,000	50,000	0	N/A
113	Cathay Pacific Airways Limited	293	CPA	50,000	50,000	0	N/A
114	Dongfeng Motor Group Co. Ltd.	489	DFM	50,000	50,000	0	N/A
115	Techtronic Industries Co. Ltd.	669	TIC	50,000	50,000	0	N/A
116	Air China	753	AIR	50,000	50,000	0	N/A
117	Hengan International Group Co. Ltd.	1044	HGN	50,000	50,000	0	N/A
118	Sinopharm	1099	SNP	50,000	50,000	0	N/A
119	China Resources Land Ltd.	1109	CRL	50,000	50,000	0	N/A
120	CK Asset Holdings Ltd.	1113	CKP	50,000	50,000	0	N/A
121	People's Insurance Co. (Gp) of China Ltd	1339	PIN	50,000	50,000	0	N/A
122	Postal Savings Bank of China	1658	XPB	50,000	50,000	0	N/A
123	China Vanke	2202	VNK	50,000	50,000	0	N/A
124	Shenzhou International Group Holdings Ltd.	2313	SHZ	50,000	50,000	0	N/A

APPENDIX III: PRIVACY POLICY STATEMENT

Hong Kong Exchanges and Clearing Limited, and from time to time, its subsidiaries (together the "Group") (and each being "HKEX", "we", "us" or "member of the Group" for the purposes of this Privacy Policy Statement as appropriate) recognise their responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by us is accurate. We will use your personal data which we may from time to time collect in accordance with this Privacy Policy Statement.

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.

How we use cookies

If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

Session Cookies: temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

Persistent Cookies: cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEX website.

Compliance with laws and regulations

HKEX and other members of the Group may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations or in order to comply with a court order, subpoena or other legal process (whether in Hong Kong or elsewhere), or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere) or to perform or discharge the Regulatory Functions. HKEX and other members of the Group may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our employees, or to perform or discharge the Regulatory Functions.

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

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8/F., Two Exchange Square
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Hong Kong

By Email:
DataPrivacy@HKEX.COM.HK

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