

**Subcommittee on Draft Subsidiary Legislation to be made under  
the Securities and Futures Ordinance**

**Securities and Futures (Contracts Limits and Reportable Positions) Rules**

This paper sets out the proposals of the Securities and Futures Commission (SFC) to prescribe the limits on the number of specified futures contracts and specified options contracts which may be held or controlled by any person in any one contract month or expiry month, and the related reporting requirements.

**Proposal**

2. The SFC proposes to make the Securities and Futures (Contracts Limits and Reportable Positions) Rules, now in draft at **Annex 1**, under section 35(1) of the Securities and Futures Ordinance (SFO) (Cap. 571).

**Power to make the Rules**

3. Section 35(1) of the SFO empowers the SFC to make rules to –
- (a) prescribe limits on the number of futures contracts and options contracts which may be held or controlled by any person, whether or not such contracts are traded on a recognized exchange company (sections 35(1)(a) and (b)); and
  - (b) require a person holding or controlling a reportable position in such contracts to notify the recognized exchange company or the SFC (section 35(1)(c)). The rules may prescribe the manner and timing of the notification (section 35(1)(d)) and the information by which the notification is to be accompanied (section 35(1)(e)).
4. Under section 35(6) of the SFO, a “reportable position” means an open position in futures contracts or options contracts, the number of which is in excess of a number or total value of such contracts specified in the rules.

5. In making such rules, the SFC is given the flexibility under section 35(3) to prescribe different limits or conditions, or different reportable positions, for different types or classes of futures or options contracts, or to exempt specified futures or options contracts. The SFC is specifically empowered under section 35(4) to make rules prohibiting a person from -

- (a) entering, during a specified period, into transactions of a specified class in excess of a specified amount; or
- (b) holding or controlling positions of a specified class in excess of a specified position limit.

6. The rules made under section 35 may provide that a person who, without reasonable excuse, contravenes the rules, is liable to a criminal penalty not exceeding the penalties specified in section 35(5).

7. The SFC is of the view that the draft Rules would be *intra vires* if made as drafted.

### **Major features of the draft Rules**

8. The draft Rules at Annex 1 are to be made by the SFC under section 35(1). They apply to exchange-traded futures contracts and options contracts, and set out the limits on the number of specified futures contracts and options contracts which may be held or controlled by any person in any one contract month or expiry month, respectively.

9. In both cases, the draft Rules provide that the limits apply unless the person is authorized under the rules of a recognized exchange company to hold or control such contracts in excess of the limits (clause 4(2)). The types of persons who may be authorized are market-makers registered with either the Stock Exchange Company or the Futures Exchange Company, or issuers of structured products like derivative warrants and equity linked instruments (clause 4(3)). The SFC may also allow certain persons to hold or control contracts in excess of the limits in special circumstances (clause 4(4)). In doing so, the SFC has to satisfy itself that the excess would not be prejudicial to the interest of the investing public. This will provide the SFC with flexibility to allow excesses on a one-off basis where appropriate, e.g. in a situation where there is a default and an exchange participant agrees to take up additional position in its own account which may result in an excess.

10. The draft Rules also prescribe the number of such futures or options contracts above which a person is required to report his holding or control to a recognized exchange company (clause 6).

11. Persons holding or controlling a reportable position are required to notify the exchange company concerned within one trading day of the reportable position under clause 6, and provide the information specified therein.

12. The draft Rules permit the disaggregation of futures contracts or options contracts held on behalf of clients by exchange participants for the purposes of determining compliance with the limits and reporting requirements (clause 7).

13. Clause 8 of the draft Rules provides for the imposition of criminal penalties in respect of contraventions of clause 5 or 6 of the draft Rules without reasonable excuse.

14. The prescribed limits and reportable positions for futures contracts are set out in Schedule 1 to the draft Rules and the prescribed limits and reportable positions for options contracts are set out in Schedule 2. The Schedules will be updated from time to time to bring in relevant new products launched on the Exchanges.

15. The draft Rules are based on the Securities (Exchange – Traded Stock Options) Rules (Cap. 333 sub. leg. K) and the Commodities Trading (Trading Limits) Rules (Cap. 250 sub. leg. E), with no policy change.

16. The SFC considers that by placing limits on the number of specified futures contracts and options contracts which may be held or controlled by any person and by requiring reporting of holdings or controlling of such futures or options contracts above a specified amount to a recognized exchange company, the draft Rules would be consistent with the SFC's regulatory objective in section 4(a) of the SFO "to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry". The draft Rules also seek to prevent the holding or controlling of large concentrations of futures contracts and options contracts by one person without the recognized exchange company being notified. This is consistent with the SFC's regulatory objective in section 4(e) of the SFO "to reduce systemic risks in the securities and futures industry".

## Public consultation

17. The SFC released a consultation document and an exposure draft of the Rules on 28 March 2002 for comment by the public. Two submissions were received. After further engagement with the commentators and on the advice of the Law Draftsman, the SFC has made some amendments to the draft Rules to enhance transparency, address market concerns and improve drafting. The major changes are -

- (a) clause 4(3) sets out clearly the criteria currently adopted by the exchange companies in allowing certain persons to hold futures or stock options contracts in excess of the limits prescribed in the draft Rules. These are currently provided for in the non-statutory rules of the exchange companies. Following this, the power to allow such excess holdings on a case-by-case basis is vested in the SFC instead of the exchange companies under clause 4(4); and
- (b) clause 6 clearly sets out the requirements for notifying a reportable position, which are adopted from the existing requirements under the non-statutory rules of the exchanges.

The above changes will make the draft Rules more user-friendly, and are generally welcome by the market.

18. We attach the following documents for Members' reference -

- (a) Consultation Document on the draft Rules, at **Annex 2**, which sets out the underlying policy together with the exposure draft of the Rules. The revised draft is now at Annex 1 for Members' consideration; and
- (b) Consultation Conclusions document, at **Annex 3**, which sets out the conclusions from the consultation and the SFC's responses to the comments received.

## **Way forward**

19. Subject to Members' views, the SFC will proceed to make the Rules under the authority vested in it and publish the Rules so made in the Gazette for tabling before the Legislative Council in the normal manner. Minor touch up may have to be made to the Schedules to the Rules in light of new products in the pipeline. The intention is that the Rules shall come into operation on the commencement of the SFO.

Securities and Futures Commission  
Financial Services and the Treasury Bureau  
7 September 2002

[ Cf. sections 23, 24 and 35 of the Securities and Futures Ordinance ]

## SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) RULES

(Made by the Securities and Futures Commission under section 35(1) of the Securities and Futures Ordinance (Cap. 571))

### 1. Commencement

These Rules shall come into operation on the day on which Part III of the Securities and Futures Ordinance (Cap. 571) comes into operation.

### 2. Interpretation

(1) In these Rules, unless the context otherwise requires –

“Listing Rules” (上市規則) means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited made by the Stock Exchange Company;

“prescribed limit” (訂明上限), in relation to a futures contract or a stock options contract, means the limit on the number of contracts prescribed for it under section 5;

“reporting day” (申報日) means a day other than –

- (a) a public holiday;
- (b) a Saturday; and
- (c) a gale warning day or a black rainstorm warning day as defined in section 71(2) of the Interpretation and General Clauses Ordinance (Cap. 1).

“reportable position” (須申報的持倉量) means an open position in futures contracts or stock options contracts the number of which is –

- (a) in the case of a futures contract specified in column 2 of Schedule 1, in excess of that specified opposite to it in column 4 of that Schedule; and
- (b) in the case of a stock options contract specified in column 2 of Schedule 2, in excess of that specified opposite to it in column 4 of that Schedule.

(2) For the purposes of these Rules, a reference to control, in relation to futures contracts or stock options contracts, shall be construed as a reference to control of such futures contracts or stock options contracts, either directly or indirectly.

### **3. Application**

These Rules apply to futures contracts and stock options contracts that are traded through the facilities of a recognized exchange company in accordance with the rules of the recognized exchange company .

### **4. Restrictions on number of contracts held or controlled**

(1) No person other than the persons or classes of persons referred to in subsections (2) and (4) may hold or control futures contracts or stock options contracts in excess of the prescribed limit.

(2) A person or class of persons specified in subsection (3) may be authorized under the rules of the recognized exchange company concerned to hold or control futures contracts or stock options contracts in excess of the prescribed limits.

(3) The persons or classes of persons who may be authorized for the purposes of subsection (2) are persons –

- (a) registered with the Stock Exchange Company for the purpose of performing market making or liquidity providing

activities in respect of stock options contracts in accordance with its rules;

(b) registered with the Futures Exchange Company for the purpose of performing market making or liquidity providing activities in respect of futures contracts in accordance with its rules; or

(c) who have issued securities listed under Chapter 15A of the Listing Rules and who hold or control futures contracts or stock options contracts in the course of hedging the risks of positions previously acquired in such listed securities.

(4) Subsection (1) shall not apply to a person if –

(a) such person is able to satisfy the Commission that special circumstances exist which warrant the person holding or controlling futures contracts or stock options contracts in excess of the prescribed limit;

(b) the Commission is satisfied that the excess would not be prejudicial to the interest of the investing public having regard to the prescribed limits and the liquidity of the futures contracts or the stock options contracts in question; and

(c) the Commission has given the person notice in writing that it is so satisfied.

(5) Subsection (4) shall not apply to any person specified in subsection (3), or belonging to any class of persons specified in subsection (3).

## **5. Prescribed limits**

For the purposes of section 4(1), the limit on the number of contracts that may be held or controlled is –



- (a) in the case of a futures contract specified in column 2 of Schedule 1, that specified opposite to it in column 3 of that Schedule; and
- (b) in the case of a stock options contract specified in column 2 of Schedule 2, that specified opposite to it in column 3 of that Schedule.

## **6. Notice of reportable positions**

(1) Any person who holds or controls a reportable position shall lodge a notice in writing of that reportable position with the recognized exchange company concerned within one reporting day following –

- (a) the day on which the person first holds or controls that reportable position; and
- (b) each succeeding day on which the person continues to hold or control that reportable position.

(2) A notice referred to in subsection (1) shall be accompanied by the following information –

- (c) the number of futures contracts or stock options contracts held or controlled by the person in respect of the reportable position in each relevant contract month; and
- (d) if the reportable position is held or controlled for a client, the identity of the client.

## **7. Compliance by exchange participants**

In their application to an exchange participant of a recognized exchange company, the prescribed limits and reportable positions apply -

- (a) to futures contracts or stock options contracts held or controlled by the exchange participant for his own account; and

- (b) separately, to futures contracts or stock options contracts held or controlled by the exchange participant for each of his clients.

## 8. Penalties

Any person who, without reasonable excuse, fails to comply with section 4(1) or 6 commits an offence and is liable -

- (a) on conviction on indictment to a fine at level 6 and to imprisonment for 2 years; or
- (b) on summary conviction to a fine at level 3 and to imprisonment for 6 months.

## SCHEDULE 1

[ss. 2 & 5]

### PRESCRIBED LIMIT AND REPORTING LEVEL FOR FUTURES CONTRACTS

Item	Futures Contract	Prescribed Limit	Reporting Level
1.	HSBC Holdings Plc stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
2.	CITIC Pacific Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
3.	Cheung Kong (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
4.	Swire Pacific Ltd. 'A' stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
5.	CLP Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
6.	China Resources Enterprise, Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
7.	Hang Seng Bank Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
8.	Henderson Land	5 000 open contracts for any	1 000 open contracts for

	Development Co. Ltd. stock futures contract	one contract month	any one contract month
9.	Hopewell Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
10.	Hutchison Whampoa Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
11.	New World Development Co., Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
12.	Shanghai Industrial Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
13.	Sun Hung Kai Properties Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
14.	The Wharf (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
15.	Hang Seng China-Affiliated Corporations Index futures contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month
16.	Hang Seng China-Affiliated Corporations Index options contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month
17.	Three-Month Hong Kong Interbank Offered Rate futures contract	Nil	1 000 open contracts for any one contract month; 4 000 open contracts for all contract months
18.	COSCO Pacific Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
19.	The Hong Kong & China Gas Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
20.	Hongkong Electric Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
21.	China Mobile (Hong Kong) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
22.	HKFE Taiwan Index futures contract	Nil	500 open contracts for any one contract month
23.	HKFE Taiwan Index options contract	Nil	500 open contracts for any one series
24.	Hang Seng 100 futures contract	Nil	500 open contracts for any one contract month

25.	Hang Seng 100 options contract	Nil	500 open contracts for any one series
26.	One-Month Hong Kong Interbank Offered Rate futures contract	Nil	1 000 open contracts for any one contract month; 4 000 open contracts for all contract months
27.	Hang Seng Index futures and options contracts, and Mini-Hang Seng Index futures contracts	10 000 long or short position delta limit for all contract months combined, provided the position delta for the Mini-Hang Seng Index futures contracts shall not at any time exceed 2 000 long or short for all contract months combined	250 open Hang Seng Index futures contracts for any one contract month; 250 open Hang Seng Index options contracts for any one series; 1 250 open Mini-Hang Seng Index futures contracts for any one contract month
28.	Hang Seng Finance Sub-Index futures contracts	300 open contracts for any one contract month	50 open contracts for any one contract month
29.	Hang Seng Utilities Sub-Index futures contracts	300 open contracts for any one contract month	50 open contracts for any one contract month
30.	Hang Seng Commerce and Industry Sub-Index futures contracts	300 open contracts for any one contract month	50 open contracts for any one contract month
31.	Hang Seng Properties Sub-Index futures contracts	250 open contracts for any one contract month.	50 open contracts for any one contract month
32.	Hang Seng Properties Sub-Index options contracts	250 open contracts for any one series.	50 open contracts for any one series
33.	Hang Seng China Enterprises Index futures contracts	6 000 open contracts for any one contract month	250 open contracts for any one contract month
34.	Hang Seng China Enterprises Index options contracts	6 000 open contracts for any one series.	250 open contracts for any one series
35.	PCCW Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
36.	The Bank of East Asia Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
37.	Legend Group Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
38.	MSCI China Free Index futures contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month

39.	MSCI China Free Index options contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month
40.	Amoy Properties Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
41.	Cathay Pacific Airways Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
42.	Cheung Kong Infrastructure Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
43.	China Merchants Holdings (International) Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
44.	China Petroleum & Chemical Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
45.	China Unicom Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
46.	Dah Sing Financial Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
47.	Guoco Group Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
48.	Hang Lung Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
49.	Henderson Investment Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
50.	Hong Kong Exchanges and Clearing Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
51.	Hysan Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
52.	Johnson Electric Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
53.	Li & Fung Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
54.	MTR Corporation Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
55.	PetroChina Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
56.	Shangri-La Asia Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month

57.	Sino Land Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
58.	South China Morning Post (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
59.	Television Broadcasts Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
60.	Wheelock and Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
61.	Wing Hang Bank, Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
62.	Yue Yuen Industrial (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
63.	Cisco System Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
64.	IBM Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
65.	Intel Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
66.	Microsoft Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
67.	Oracle Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
68.	NTT DoCoMo Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
69.	Sony Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
70.	Nippon Telegraph & Telephone Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
71.	Fujitsu Limited stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
72.	Toyota Motor Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
73.	Korea Electric Power Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
74.	K T Corporation stock	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month

	futures contract		
75.	Samsung Electronics Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
76.	SK Telecom Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
77.	Kookmin Bank stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
78.	Mosel Vitelic Incorporated stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
79.	Ritek Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
80.	Taiwan Semiconductor Manufacturing Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
81.	United Micro Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
82.	Winbond Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
83.	Options on Cisco System Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
84.	Options on IBM Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
85.	Options on Intel Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
86.	Options on Microsoft Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
87.	Options on Oracle Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
88.	Options on NTT DoCoMo Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month

89.	Options on Sony Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
90.	Options on Nippon Telegraph & Telephone Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
91.	Options on Fujitsu Limited stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
92.	Options on Toyota Motor Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month
93.	Options on Korea Electric Power Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
94.	Options on K T Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
95.	Options on Samsung Electronics Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
96.	Options on SK Telecom Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
97.	Options on Kookmin Bank stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
98.	Options on Mosel Vitelic Incorporated stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
99.	Options on Ritek Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
100.	Options on Taiwan Semiconductor Manufacturing Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
101.	Options on United Micro Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
102.	Options on Winbond Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month



103.	Dow Jones Industrial Average futures contract	20 000 open contracts for any one contract month	1 000 open contracts for any one contract month
104.	Dow Jones Industrial Average options contract	20 000 open contracts for any one contract month	1 000 open contracts for any one contract month
105.	Three Year Exchange Fund Note (EFN) Futures contract	5 000 open contracts for any one contract month except that the limit for the Spot Month EFN Futures Contract during the last 6 Trading Days is 1 000 contracts in the Spot Month	1 000 open contracts for any one contract month except that the reportable position for the Spot Month EFN Futures Contract during the last 6 Trading Days is 200 contracts in the Spot Month
106.	CNOOC Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
107.	Huaneng Power International, Inc. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month

## SCHEDULE 2

[ss. 2 & 5]

### PRESCRIBED LIMIT AND REPORTING LEVEL FOR STOCK OPTIONS CONTRACTS

<b>Item</b>	<b>Stock Options Contract</b>	<b>Prescribed Limit</b>	<b>Reporting Level</b>
1.	HSBC Holdings Plc stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
2.	Cheung Kong (Holdings) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
3.	CITIC Pacific Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
4.	Swire Pacific Ltd 'A' stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month

5.	CLP Holdings Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
6.	Henderson Land Development Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
7.	Hutchison Whampoa Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
8.	Sun Hung Kai Properties Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
9.	Hopewell Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
10.	Amoy Properties Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
11.	The Bank of East Asia Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
12.	Hang Seng Bank Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
13.	Hongkong Electric Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
14.	The Hong Kong & China Gas Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
15.	Hysan Development Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
16.	New World Development Co., Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
17.	The Wharf (Holdings) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
18.	Wheelock and Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
19.	Cathay Pacific Airways Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month

20.	Hang Lung Development Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
21.	Henderson Investment Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
22.	Johnson Electric Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
23.	Shangri-La Asia Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
24.	Sino Land Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
25.	South China Morning Post (Holdings) Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
26.	Television Broadcasts Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
27.	Cheung Kong Infrastructure Holdings Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
28.	China Resources Enterprise, Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
29.	COSCO Pacific Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
30.	Shanghai Industrial Holdings Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
31.	China Merchants Holdings (International) Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
32.	China Mobile (Hong Kong) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
33.	Tracker Fund of Hong Kong stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month

34.	Legend Group Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
35.	PCCW Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
36.	China Petroleum & Chemical Corporation stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
37.	China Unicom Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
38.	Dah Sing Financial Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
39.	Guoco Group Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
40.	Hong Kong Exchanges and Clearing Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
41.	Li & Fung Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
42.	MTR Corporation Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
43.	PetroChina Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
44.	Wing Hang Bank, Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
45.	Yue Yuen Industrial (Holdings) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
46.	CNOOC Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
47.	Huaneng Power International, Inc. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month

Chairman,

Securities and Futures Commission

2002

## **Explanatory Note**

These Rules are made by the Securities and Futures Commission under section 35(1) of the Securities and Futures Ordinance (Cap. 571) -

- (a) to prohibit a person (except authorized persons) from holding or controlling futures contracts and stock options contracts in excess of the prescribed limits;
- (b) to require a person who holds or controls a reportable position in such futures contracts or stock options contracts to notify the recognized exchange company concerned;
- (c) to provide for penalties for contravention of such prohibition or requirement.



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

Annex 2

## A Consultation Paper on the Securities and Futures (Contracts Limits and Reportable Positions) Rules

《證券及期貨(合約限額及須申報的持倉量)規則》  
諮詢文件

Hong Kong  
March 2002

香港  
2002年3月

## Consultation

This consultation document invites public comments on the draft **Securities and Futures (Contracts Limits and Reportable Positions) Rules** (“the draft Rules”) which the Securities and Futures Commission (“SFC”) proposes to make under section 35(1) of the Securities and Futures Ordinance (No. 5 of 2002 ) when it commences.

### Introduction

1. The draft Rules are based on the Securities (Exchange – Traded Stock Options) Rules and the Commodities Trading (Trading Limits) Rules (together referred to as the “existing Rules”), which have been made under the Securities Ordinance (Cap.333) and the Commodities Trading Ordinance (Cap.250), respectively. Like the Securities Ordinance and the Commodities Trading Ordinance, the Securities and Futures Ordinance does not contain detailed provisions prescribing limits on futures and stock options contracts and the related reporting requirements. It merely gives the SFC the necessary rule-making power, under section 35(1), to prescribe requirements in subsidiary legislation. This provides the flexibility to address changing market conditions by quickly amending the Rules rather than the primary legislation.

2. There are controls built into the legislative system, whereby any rules made by the SFC must be subject to negative vetting by the Legislative Council. In addition, a mandatory consultation requirement is stipulated in section 398 of the Securities and Futures Ordinance. Therefore, the SFC now releases the draft Rules (see Attachment 1) for public consultation.

3. It is the intention of the SFC that the draft Rules should be user-friendly and they have been drafted in plain English with this objective in mind. Also, having both futures contracts and stock options contracts under the same set of rules should make compliance easier for the industry. The SFC would welcome suggestions from industry participants on any specific improvements that could be made to make compliance with the requirements of the draft Rules easier for participants.

4. The public may obtain copies of the consultation document and the attachments free of charge at the SFC’s office and on the SFC’s Internet website at <http://www.hksfc.org.hk>.

5. The SFC invites interested parties to submit written comments on the draft Rules or to comment on related matters that might have a significant impact upon the draft Rules no later than 11 April 2002. Any person wishing to comment should provide details of any organization whose views they represent. In addition, persons suggesting alternative approaches are encouraged to submit proposed text to amend the draft Rules.

### Background to the draft Rules

6. A copy of the draft Rules is attached. They prescribe the limits on the number of specified futures contracts and specified stock options contracts which may be held or controlled by any person in any one contract month or expiry month. The draft Rules



provide that the limits apply unless that person has an express authorization from a recognized exchange company and require a person holding or controlling a reportable position in such contracts to notify a recognized exchange company under its rules.

7. The draft Rules have been prepared having regard to the existing Rules. The draft Rules are structured into three parts – the rules themselves prescribing the relevant limits and reporting requirements, Schedule 1, which sets out the prescribed limits and reportable positions for futures contracts and Schedule 2, which sets out the prescribed limits and reportable positions for stock options contracts.

### **New Policy Initiatives**

8. No new policy changes have been incorporated into the draft Rules, which on the whole amalgamate the existing Rules. One minor difference with respect to the Securities (Exchange – Traded Stock Options) Rules is that the reference to short selling has been removed as this will be dealt with in the Short Selling Exemption Rules.

### **Other matters**

9. Please note that the names of the commentators and the contents of their submissions may be published on the SFC web site and in other documents to be published by the SFC. In this connection, please read the Personal Information Collection Statement attached to this consultation paper.

10. You may not wish your name and/or submission to be published by the SFC. If this is the case, please state that you wish your name and/or submission to be withheld from publication when you make your submission.

11. Written comments may be sent

By mail to: SFC (Contracts Limits and Reportable Positions Rules)  
12/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

Attn: Supervision of Markets Division

By fax to: (852) 25217917

By on-line submission at: <http://www/hksfc.org.hk>

By e-mail to: [contract.limits\\_rules@hksfc.org.hk](mailto:contract.limits_rules@hksfc.org.hk)

12. The draft Rules should be read in conjunction with the Securities and Futures Ordinance itself.

## **Personal Information Collection Statement**

1. This Personal Information Collection Statement (“PICS”) is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. The PICS sets out the purposes for which your Personal Data<sup>1</sup> will be used following collection, what you are agreeing to with respect to the SFC’s use of your Personal Data and your rights under the PDPO.

### **Purpose of Collection**

2. The Personal Data provided in your submission to the SFC in response to this Consultation Paper may be used by the SFC for one or more of the following purposes:
  - to administer the relevant Ordinances, rules, regulations, codes and guidelines
  - made or promulgated pursuant to the powers vested in the SFC
  - for the purposes of performing the SFC’s statutory functions under the relevant Ordinances
  - for research and statistical purposes
  - other purposes permitted by law

### **Transfer of Personal Data**

3. Personal Data may be disclosed by the SFC to the members of the public in Hong Kong and elsewhere, as part of the public consultation on the Consultation Paper. The names of persons who submit comments on the Consultation Paper together with the whole or part of their submission may be disclosed to members of the public. This will be done by publishing this information on the SFC web site and in documents to be published by the SFC throughout and at the conclusion of the consultation period.

### **Access to Data**

4. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the PDPO. Your right of access includes the right to obtain a copy of your Personal Data provided in your submission on the Consultation Paper. The SFC has the right to charge a reasonable fee for processing any data access request.

### **Enquiries**

5. Any enquiries regarding the Personal Data provided in your submission on the Consultation Paper, or requests for access to Personal Data or correction of Personal Data, should be addressed in writing to:

The Data Privacy Officer  
The Securities and Futures Commission  
12/F, Edinburgh Tower, The Landmark  
15 Queen’s Road Central, Hong Kong

A copy of the Privacy Policy Statement adopted by the SFC is available upon request.

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<sup>1</sup> Personal Data means personal data as defined in the Personal Data (Privacy) Ordinance, Cap 486 (“PDPO”)

# SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) RULES

(Made by the Securities and Futures Commission under section 35(1) of the Securities and Futures Ordinance (No. 5 of 2002))

## 1. Commencement

These Rules come into operation on the day appointed for the commencement of Part III of the Securities and Futures Ordinance (No. 5 of 2002).

## 2. Interpretation

In these Rules, unless the context otherwise requires –

“futures contract” (期貨合約) means a futures contract specified in column 2 of Schedule 1;

“stock options contract” (股票期權合約) means a stock options contract specified in column 2 of Schedule 2;

“reportable position” (須申報的持倉量) means an open position in –

(a) a futures contract in excess of the number specified for it in column 4 of Schedule 1; or

(b) a stock options contract in excess of the number specified for it in column 4 of Schedule 2;

## 3. Application

These Rules have effect in relation to futures contracts and stock options contracts that are traded through the facilities and in accordance with the rules of a recognized exchange company.

## 4. Prescribed limits

(1) For the purposes of section 35(1)(a) and (b) of the Ordinance, the prescribed limit for –

(a) a futures contract is as specified in column 3 of Schedule 1;

(b) a stock options contract is as specified in column 3 of Schedule 2.

(2) No person may hold or control futures contracts or stock options contracts in excess of a prescribed limit unless the excess is expressly authorized under the rules of a recognized exchange company.

## 5. Reportable positions

For the purposes of section 35(1)(c) of the Ordinance, a person holding or controlling a reportable position must notify a recognized exchange company under its rules.

## **6. Compliance by exchange participants**

In their application to an exchange participant, the prescribed limits referred to in section 4 and the reportable positions referred to in section 5 apply –

- (a) to futures contracts or stock options contracts held or controlled by that exchange participant for its own account; and
- (b) separately, to futures contracts or stock options contracts held or controlled by that exchange participant for each of its clients.

## **7. Penalty**

Any person who, without reasonable excuse, fails to comply with section 4 or 5 commits an offence and is liable –

- (a) on conviction on indictment to a fine at level 6 and to imprisonment for 2 years;
- (b) on summary conviction to a fine at level 3 and to imprisonment for 6 months.

**SCHEDULE 1**  
**PRESCRIBED LIMITS AND REPORTABLE POSITIONS**  
**IN RESPECT OF FUTURES CONTRACTS**

[ss. 2&4]

<b>Item</b>	<b>Futures Contract</b>	<b>Limit</b>	<b>Reportable Position</b>
1.	HSBC Holdings Plc stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
2.	CITIC Pacific Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
3.	Cheung Kong (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
4.	Swire Pacific Ltd. 'A' stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
5.	CLP Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
6.	China Resources Enterprise, Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
7.	Hang Seng Bank Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
8.	Henderson Land Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
9.	Hopewell Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
10.	Hutchison Whampoa Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
11.	New World Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
12.	Shanghai Industrial Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
13.	Sun Hung Kai Properties Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
14.	The Wharf (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
15.	Hang Seng China-Affiliated Corporations Index futures contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month.
16.	Hang Seng China-Affiliated Corporations Index options contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month.
17.	Three-Month Hong Kong Interbank Offered Rate futures contract	Nil	1 000 open contracts for any one contract month; 4 000 open contracts for all contract months.
18.	COSCO Pacific Ltd. stock	5 000 open contracts for any	1 000 open contracts for

	futures contract	one contract month	any one contract month.
19.	Hong Kong and China Gas Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
20.	Hongkong Electric Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
21.	China Mobile (Hong Kong) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
22.	HKFE Taiwan Index futures contract	Nil	500 open contracts for any one contract month.
23.	HKFE Taiwan Index options contract	Nil	500 open contracts for any one series.
24.	Hang Seng 100 futures contract	Nil	500 open contracts for any one contract month.
25.	Hang Seng 100 options contract	Nil	500 open contracts for any one series.
26.	One-Month Hong Kong Interbank Offered Rate futures contract	Nil	1 000 open contracts for any one contract month; 4 000 open contracts for all contract months.
27.	Hang Seng Index futures and options contracts, and Mini-Hang Seng Index futures contracts	10 000 long or short position delta limit for all contract months combined, provided the position delta for the Mini-Hang Seng Index futures contracts shall not at any time exceed 2 000 long or short for all contract months combined	250 open Hang Seng Index futures contracts for any one contract month; 250 open Hang Seng Index options contracts for any one series; 1 250 open Mini-Hang Seng Index futures contracts for any one contract month.
28.	Hang Seng Finance Sub-Index futures contracts	300 open contracts for any one contract month	50 open contracts for any one contract month.
29.	Hang Seng Utilities Sub-Index futures contracts	300 open contracts for any one contract month	50 open contracts for any one contract month.
30.	Hang Seng Commerce and Industry Sub-Index futures contracts	300 open contracts for any one contract month	50 open contracts for any one contract month.
31.	Hang Seng Properties Sub-Index futures contracts	250 open contracts for any one contract month.	50 open contracts for any one contract month.
32.	Hang Seng Properties Sub-Index options contracts	250 open contracts for any one series.	50 open contracts for any one series.
33.	Hang Seng China Enterprises Index futures contracts	6 000 open contracts for any one contract month	250 open contracts for any one contract month.
34.	Hang Seng China Enterprises Index options contracts	6 000 open contracts for any one series.	250 open contracts for any one series.
35.	Pacific Century Cyberworks Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
36.	Bank of East Asia Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.

37. Legend Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
38. MSCI China Free Index futures contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month.
39. MSCI China Free Index options contract	10 000 open contracts for any one contract month	500 open contracts for any one contract month.
40. Amoy Properties Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
41. Cathay Pacific Airways Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
42. Cheung Kong Infrastructure Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
43. China Merchants Holdings (International) Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
44. China Petroleum & Chemical Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
45. China Unicom Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
46. Dah Sing Financial Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
47. Guoco Group Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
48. Hang Lung Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
49. Henderson Investment Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
50. Hong Kong Exchanges and Clearing Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
51. Hysan Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
52. Johnson Electric Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
53. Li & Fung Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
54. MTR Corporation Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
55. PetroChina Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
56. Shangri-La Asia Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
57. Sino Land Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
58. South China Morning Post (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.

59. Television Broadcasts Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
60. Wheelock and Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
61. Wing Hang Bank, Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
62. Yue Yuen Industrial (Holdings) Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
63. Cisco System Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
64. IBM Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
65. Intel Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
66. Microsoft Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
67. Oracle Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
68. NTT DoCoMo Incorporated stock futures contract	50000 open contracts for any one contract month	10 000 open contracts for any one contract month.
69. Sony Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
70. Nippon Telegraph & Telephone Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
71. Fujitsu Limited stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
72. Toyota Motor Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
73. Korea Electric Power Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
74. Korea Telecom Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
75. Samsung Electronics Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
76. SK Telecom Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
77. Kookmin Bank stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
78. Mosel Vitelic Incorporated stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
79. Ritek Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
80. Taiwan Semiconductor Manufacturing Company Limited stock futures	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.



	contract		
81.	United Micro Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
82.	Winbond Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
83.	Options on Cisco System Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
84.	Options on IBM Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
85.	Options on Intel Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
86.	Options on Microsoft Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
87.	Options on Oracle Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
88.	Options on NTT DoCoMo Incorporated stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
89.	Options on Sony Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
90.	Options on Nippon Telegraph & Telephone Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
91.	Options on Fujitsu Limited stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
92.	Options on Toyota Motor Corporation stock futures contract	50 000 open contracts for any one contract month	10 000 open contracts for any one contract month.
93.	Options on Korea Electric Power Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
94.	Options on Korea Telecom Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
95.	Options on Samsung Electronics Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
96.	Options on SK Telecom Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
97.	Options on Kookmin	5 000 open contracts for any	1 000 open contracts for

	Bank stock futures contract	one contract month	any one contract month.
98.	Options on Mosel Vitelic Incorporated stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
99.	Options on Ritek Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
100.	Options on Taiwan Semiconductor Manufacturing Company Limited stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
101.	Options on United Micro Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
102.	Options on Winbond Electronics Corporation stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
103.	Dow Jones Industrial Average futures contract	20 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
104.	Dow Jones Industrial Average options contract	20 000 open contracts for any one contract month	1 000 open contracts for any one contract month.
105.	Three Year Exchange Fund Note (EFN) Futures contract	5 000 open contracts for any one contract month except that the limits for the Spot Month EFN Futures Contract during the last 6 Trading Days is 1 000 contracts in the Spot Month	1 000 open contracts for any one contract month except that the reportable position for the Spot Month EFN Futures Contract during the last 6 Trading Days is 200 contracts in the Spot Month

**SCHEDULE 2**  
**PRESCRIBED LIMITS AND REPORTABLE POSITIONS**  
**IN RESPECT OF STOCK OPTIONS CONTRACTS**

[ss.2&4]

<b>Item</b>	<b>Stock Options Contract</b>	<b>Limit</b>	<b>Reportable Position</b>
1.	HSBC Holdings Plc stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
2.	Cheung Kong (Holdings) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
3.	CITIC Pacific Ltd stock options contract	5000 contracts in any one expiry month	1 000 contracts in any one expiry month
4.	Swire Pacific Ltd 'A' stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
5.	CLP Holdings Ltd.	5 000 contracts in any	1 000 contracts in any

	stock options contract	one expiry month	one expiry month
6.	Henderson Land Development Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
7.	Hutchison Whampoa Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
8.	Sun Hung Kai Properties Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
9.	Hopewell Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
10.	Amoy Properties Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month.
11.	The Bank of East Asia Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month.
12.	Hang Seng Bank Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
13.	Hongkong Electric Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
14.	The Hong Kong & China Gas Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
15.	Hysan Development Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
16.	New World Development Co., Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
17.	The Wharf (Holdings) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
18.	Wheelock and Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
19.	Cathay Pacific Airways Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
20.	Hang Lung Development Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
21.	Henderson Investment Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
22.	Johnson Electric Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
23.	Shangri-La Asia Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month

24.	Sino Land Co. Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
25.	South China Morning Post (Holdings) Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
26.	Television Broadcasts Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
27.	Cheung Kong Infrastructure Holdings Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
28.	China Resources Enterprise, Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
29.	COSCO Pacific Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
30.	Shanghai Industrial Holdings Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
31.	China Merchants Holdings (International) Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
32.	China Mobile (Hong Kong) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
33.	Tracker Fund of Hong Kong stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
34.	Legend Holdings Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
35.	Pacific Century CyberWorks Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
36.	China Petroleum & Chemical Corporation stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
37.	China Unicom Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
38.	Dah Sing Financial Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
39.	Guoco Group Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
40.	Hong Kong Exchanges and Clearing Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month
41.	Li & Fung Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month

42. MTR Corporation Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
43. PetroChina Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
44. Wing Hang Bank, Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
45. Yue Yuen Industrial (Holdings) Ltd. stock options contract	5 000 contracts in any one expiry month	1 000 contracts in any one expiry month

Chairman,  
Securities and Futures  
Commission

2002

## **Explanatory Note**

These Rules are made by the Securities and Futures Commission under section 35(1) of the Securities and Futures Ordinance (No. 5 of 2002). They prescribe the limits on the number of specified futures contracts and stock options contracts which may be held or controlled by any person in any one contract month or expiry month, respectively, unless that person has an express authorization from a recognized exchange company. The Rules also prescribe the number of such futures contracts or stock options contracts above which a person is required to report his holding or control to a recognized exchange company.

**Consultation Conclusions on the Draft  
Securities and Futures (Contract Limits  
and Reportable Positions) Rules**

Securities and Futures Commission  
Hong Kong

April 2002

## INTRODUCTION

1. On 28 March 2002, the Securities and Futures Commission ("SFC") issued a consultation paper to solicit comments on the draft Securities and Futures (Contracts Limits and Reportable Positions) Rules (the "draft Rules").
2. The draft Rules set out the limits on the number of specified futures contracts and specified stock options contracts which may be held or controlled by any person in any one contract month or expiry month. The draft rules also provide that the limits apply unless a person has an express authorization from a recognized exchange company and require a person holding or controlling a reportable position in such contracts to notify a recognized exchange company under its rules.
3. The consultation exercise ended on 16 April 2002.
4. It is advisable to read this document in conjunction with the consultation paper itself.

## CONSULTATION EXERCISE

5. A press release regarding the consultation exercise was issued on 28 March 2002. The consultation paper and the draft Rules were posted on the website of the SFC and distributed to all registrants through FinNet. Two submissions were received.
6. One respondent, the Institute of Securities Dealers Ltd., asked how often the SFC will update the schedules.

### *The SFC's Response*

7. The SFC will update the schedules whenever new products are introduced. Normally the Exchange will submit to the SFC contracts limits and reportable limits for proposed products. The SFC will then prepare the necessary legislative amendments.
8. The other respondent, Linklaters, which represents 5 financial institutions,<sup>1</sup> suggested increasing the reportable limits for Hang Seng Index futures contracts and Hang Seng Index options contracts from 250 to 500 contracts. It questioned why exchange participants are treated differently from non-exchange participants under rule 6 of the draft Rules and suggested extending rule 6 to require all persons who act for both their own accounts and for the accounts of their clients to 'disaggregate' their respective positions. Finally, this respondent also suggested that guidelines issued by the Exchange in

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<sup>1</sup> Deutsche Securities Asia Limited  
Goldman Sachs (Asia) L.L.C.  
Morgan Stanley Dean Witter Asia Limited  
Salomon Smith Barney Hong Kong Limited  
UBS Warburg Asia Limited



relation to the reporting of contracts limits and reportable limits should be issued for public consultation prior to publication.

*The SFC's Response*

9. The SFC is currently considering the proposal with the Hong Kong Exchanges and Clearing Company Limited (the Exchange). Increasing the limits would have implications on the enforcement of the Rules in practice on the part of the SFC and the Exchange. There is a need to weigh the benefit of the proposal against the impact on the effectiveness of cross-market surveillance. The SFC is currently working with the Exchange and will come to a considered view on the proposal in the next couple of months.
10. We do not consider that there is a difference in treatment of exchange participants and non-exchange participants. Reportable positions of clients of non-exchange participants are also required to be notified to the Exchange Company through exchange participants. The spirit of the draft Rules (and of the current Commodities Trading (Trading Limits and Position Limits) Rules is to ensure that reportable positions of all persons are notified.
11. With respect to Exchange guidelines on the reportable limits, we will convey the suggestion to the Exchange.

**CONSULTATION CONCLUSIONS**

12. After the completion of the consultation exercise, the SFC considers that no changes to the draft Rules would be required.