

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

**Securities and Futures (Levy) Order
Securities and Futures (Investor Compensation - Levy) Rules**

Introduction

Members considered the Securities and Futures (Levy) Order and the Securities and Futures (Investor Compensation - Levy) Rules in draft at the meeting on 6 June 2002. This paper informs Members of our proposal to make a technical amendment to the draft Order/Rules to tie in with latest efforts made by the Hong Kong Futures Exchange in developing new products.

The proposed amendment

2. The Hong Kong Futures Exchange launched the Mini-Hang Seng Index (HSI) Options Contract on 18 November 2002. Like a Mini-HSI Futures Contract which has been traded on the Futures Exchange since October 2000, the contract size of a Mini-HSI Options Contract is one-fifth of that of a standard HSI Options Contract.
3. The levy payable for this new product under the Securities and Futures (Levy) Order is to be prescribed at one-fifth of that for a standard HSI Options Contract and the same as that for a Mini-HSI Futures Contract, at \$0.2 per contract for both a purchaser and a seller.
4. Similarly, the levy payable for the purposes of the investor compensation fund under the Securities and Futures (Investor Compensation - Levy) Rules would be the same as that for a Mini-HSI Futures Contract at \$0.1 per contract for both a purchaser and a seller .
5. The amendments to the draft Order/Rules to effect the above proposals are marked up in **Annex 1** and **Annex 2** for Members' easy reference.

Way forward

6. The draft Order/Rules as revised are to be submitted to the Chief Executive in Council for approval. If approved, they will be published in the gazette for tabling before the Legislative Council in the normal manner. The intention is that the Order/Rules will come into operation on the commencement of the Securities and Futures Ordinance.

Financial Services and the Treasury Bureau
Securities and Futures Commission
27 November 2002

SECURITIES AND FUTURES (LEVY) ORDER

(Made by the Chief Executive in Council under section 394
of the Securities and Futures Ordinance (Cap. 571))

PART 1
PRELIMINARY

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2. Interpretation

In this Order, unless the context otherwise requires -

X X X X X X

"Mini-Hang Seng Index Options Contract" (小型恒生指數期權合約) means

a futures contract entitled "Mini-Hang Seng Index Options
Contract" for which the contract specifications are set out
in the rules of the Futures Exchange Company;

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PART 3

LEVY PAYABLE IN RESPECT OF SALE AND PURCHASE OF FUTURES
CONTRACTS DESCRIBED IN SECTION 394(1)(b) OF ORDINANCE

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10. Mini-Hang Seng Index Futures Contracts and
Mini-Hang Seng Index Options Contracts

For the purposes of section 394(1)(b) of the Ordinance, the
levy payable for a sale and purchase of a Mini-Hang Seng Index
Futures Contract or a Mini-Hang Seng Index Options Contract -

(a) is payable by the seller and purchaser; and

(b) is -

(i) in the case of the seller, \$0.20; or

(ii) in the case of the purchaser, \$0.20.

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SECURITIES AND FUTURES (INVESTOR COMPENSATION -
LEVY) RULES

(Made by the Chief Executive in Council under
section 244(1) of the Securities and
Futures Ordinance (Cap. 571))

PART 1

PRELIMINARY

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2. Interpretation

In these Rules, unless the context otherwise requires -

X X X X X X

"Mini-Hang Seng Index Options Contract" (小型恒生指數期權合約) means
a futures contract entitled "Mini-Hang Seng Index Options
Contract" for which the contract specifications are set out
in the rules of the Futures Exchange Company;

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PART 3

LEVY PAYABLE IN RESPECT OF SALE AND
PURCHASE OF FUTURES CONTRACTS

X X X X X X

10. **Mini-Hang Seng Index Futures Contracts and
Mini-Hang Seng Index Options Contracts**

For the purposes of the compensation fund, the levy payable to the Commission for a sale and purchase of a Mini-Hang Seng Index Futures Contract or a Mini-Hang Seng Index Options Contract is -

(a) in the case of the seller, in the amount of \$0.10;

or

(b) in the case of the purchaser, in the amount of \$0.10.

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