

LEGISLATIVE COUNCIL BRIEF

COMMODITIES TRADING ORDINANCE

COMMODITIES TRADING (CONTRACT LEVY)
(AMENDMENT) (NO. 3) RULES 2001

INTRODUCTION

1. The Securities and Futures Commission (“**the Commission**”) has made the Commodities Trading (Contract Levy) (Amendment) (No. 3) Rules 2001 (“**the Amendment Rules**”) at the Annex.

BACKGROUND AND ARGUMENT

2. By virtue of section 79A(1) of the Commodities Trading Ordinance (Cap.250) (“**the Ordinance**”), the Hong Kong Futures Exchange Limited (“**the HKFE**”) is required to pay to the Commission a levy on every contract traded on the HKFE, which is then paid into the compensation fund established pursuant to section 77 of the Ordinance (“**the compensation fund levy**”).
3. The power to prescribe the rate of such levy is vested in the Commission by section 79A(2)(a) of the Ordinance. The rates currently prescribed by the Commission are –

- (a) \$0.10 per leviable transaction in relation to Mini-Hang Seng Index Futures Contracts and all stock futures contracts; and
 - (b) \$0.50 per leviable transaction in relation to all other contracts traded on the HKFE.
4. In order to broaden the profile of derivatives traded on the HKFE and to increase the competitiveness of Hong Kong's financial markets, the HKFE introduced trading in 20 international stock futures contracts and their corresponding options on 4 October 2001. The design of international stock futures contracts is similar to that of other stock futures contracts currently traded on the HKFE, except that they are based on stocks listed overseas.
5. The compensation fund levy payable for all stock futures contracts, including international stock futures contracts, is \$0.10 per leviable transaction, whereas that payable for options on stock futures contracts is \$0.50 per leviable transaction.
6. The contract multiplier for options on international stock futures contracts is the same as that of the corresponding international stock futures contracts on which they are based. Furthermore, it is expected that if options on local stock futures contracts are introduced in the future, their contract multiplier will be comparable to that of the corresponding local stock futures contracts on which they are based. For these reasons, the Commission is of the view that the

compensation fund levy payable in respect of all options on stock futures contracts should be reduced from \$0.50 to \$0.10, same as that for all stock futures contracts.

THE AMENDMENT RULES

7. The Amendment Rules amend the Commodities Trading (Contract Levy) Rules to the effect that the compensation fund levy payable in respect of all options on stock futures contracts shall be \$0.10 for every leviabale transaction.

PUBLIC CONSULTATION

8. Public consultation is considered unnecessary, as the amendments are straightforward and technical in nature.

FINANCIAL AND STAFFING IMPLICATIONS

9. There are no financial or staffing implications for the Government.

COMMENCEMENT DATE

10. The Amendment Rules shall come into operation on the same day as the commencement of the Securities and Futures Commission (Levy) (Futures Contracts) (No. 3) Order 2001, for which a separate Legislative Council brief has been issued.

PUBLICITY

11. The Amendment Rules will be published in the Gazette on 28 December 2001. The HKFE will issue a circular to its participants when the new levy takes effect.

ENQUIRIES

12. For any enquiries on this brief, please contact Ms Thrity Mukadam, Senior Counsel of the Legal Services Division of the Commission, at 2840-9209 or Mr Rico Leung of the Supervision of Markets Division of the Commission, at 2840-9357.

The Securities and Futures Commission

8 January 2002

**COMMODITIES TRADING (CONTRACT LEVY)
(AMENDMENT) (NO. 3) RULES 2001**

(Made by the Securities and Futures Commission under section
79A(2) of the Commodities Trading Ordinance (Cap. 250) after
consultation with Hong Kong Futures Exchange Limited)

1. Commencement

These Rules shall come into operation on the day appointed for the commencement of the Securities and Futures Commission (Levy) (Futures Contracts) (Amendment) (No. 3) Order 2001 (L.N. of 2001).

2. Rate of contract levy

Rule 2 of the Commodities Trading (Contract Levy) Rules (Cap. 250 sub. leg.) is amended –

- (a) in paragraph (2), by repealing “and all stock futures contracts” and substituting “, all Stock Futures Contracts and all Options on Stock Futures Contracts”;
- (b) by repealing paragraph (3) and substituting –

“(3) In this Rule –

“Mini-Hang Seng Index Futures Contracts” (小型恆生指數期貨合約) means the stock index futures contracts the contract specifications of which are set out in the rules of the Exchange Company;

“Options on Stock Futures Contracts” (股票期貨合約的期權) means the options on stock futures contracts the contract specifications of which are set out in the rules of the Exchange Company;

“Stock Futures Contracts” (股票期貨合約) means the stock futures contracts the contract specifications of which are set out in the rules of the Exchange Company.”.

Andrew Len Tao SHENG
Chairman,
Securities and Futures Commission

December 2001

Explanatory Note

Under section 79A(1) of the Commodities Trading Ordinance (Cap. 250), a prescribed levy on every leviable transaction is payable by the Exchange Company to the Securities and Futures Commission for purposes of the compensation fund. The levy is currently \$0.50 on every leviable transaction in respect of futures contracts other than the Mini-Hang Seng Index Futures Contracts and all Stock Futures Contracts. These Rules reduce the levy to \$0.10 on every leviable transaction in respect of all Options on Stock Futures Contracts.