

LEGISLATIVE COUNCIL BRIEF

COMMODITIES TRADING ORDINANCE (CAP. 250)

COMMODITIES TRADING (TRADING LIMITS AND POSITION LIMITS) (AMENDMENT) RULES 2002

INTRODUCTION

1. The Securities and Futures Commission (“the Commission”) has made the Commodities Trading (Trading Limits and Position Limits) (Amendment) Rules 2002 (“the Amendment Rules”) at the Annex. The Amendment Rules amend the position limits in relation to One-Month and Three-Month HIBOR futures contracts.

BACKGROUND AND ARGUMENT

2. Section 59 of the Commodities Trading Ordinance (Cap. 250) provides that the Commission may, by rule, establish and fix trading and position limits in relation to futures contracts. The limits are prescribed in the Commodities Trading (Trading and Position Limits) Rules, and also in the rules and regulations of the Hong Kong Futures Exchange Limited (“the HKFE”).
3. The HKFE has submitted a proposal to increase the contract size of One-Month and Three-Month HIBOR futures contracts with a view to lower the market participants’ trading costs. The contract sizes of One-Month HIBOR and Three-Month HIBOR futures contracts are proposed to be increased from HK\$3 million to HK\$15 million and from HK\$1 million to HK\$5 million respectively.
4. The increase in contract size will, in turn, increase the value of each contract. In order to maintain the equivalent position limits for these enlarged contracts, the position limits will need to be adjusted

proportionally.

5. It is therefore proposed to adjust the position limits for both futures contracts from 5,000 contracts to 1,000 contracts for any one contract month and from 20,000 contracts to 4,000 contracts for all contract months.

THE AMENDMENT RULES

6. The Amendment Rules amend the Schedule to the Commodities Trading (Trading Limits and Position Limits) Rules by adjusting the position limits for One-Month and Three-Month HIBOR futures contracts.

PUBLIC CONSULTATION

7. The proposed amendments to the position limits for HIBOR futures contracts were included in the consultation exercise for the draft Securities and Futures (Contracts Limits and Reportable Positions) Rules in March 2002. The Commission received no comments on the proposed amendment to the position limits of the HIBOR futures contracts.

FINANCIAL AND STAFFING IMPLICATIONS

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

COMMENCEMENT DATE

9. The Amendment Rules will come into operation on 12 July 2002.

PUBLICITY

10. The Amendment Rules will be gazetted on 17 May 2002. The HKFE has issued a circular to its participants informing them of the new position limits.

ENQUIRIES

11. For any enquiries on this brief, please contact Ms. Monica To, Assistant Counsel of the Legal Services Division of the Commission at 2283 6123, or Mr. Rico Leung, Associate Director of the Supervision of Markets Division of the Commission at 2840 9357.

The Securities and Futures Commission
17 May 2002

**COMMODITIES TRADING (TRADING LIMITS AND
POSITION LIMITS) (AMENDMENT) RULES 2002**

(Made by the Securities and Futures Commission under section 59
of the Commodities Trading Ordinance (Cap. 250))

1. Commencement

These Rules shall come into operation on 12 July 2002.

2. Schedule amended

The Schedule to the Commodities Trading (Trading Limits and Position Limits) Rules (Cap. 250 sub. leg.) is amended –

- (a) in item 18, in the third column –
 - (i) by repealing "5 000" and substituting "1 000";
 - (ii) by repealing "20 000" and substituting "4 000";
- (b) in item 30, in the third column –
 - (i) by repealing "5 000" and substituting "1 000";
 - (ii) by repealing "20 000" and substituting "4 000".

Andrew Len Tao SHENG
Chairman,
Securities and Futures Commission

May 2002

Explanatory Note

These Rules amend the Schedule to the Commodities Trading (Trading Limits and Position Limits) Rules (Cap. 250 sub. leg.) to revise the position limits

for the Three-Month Hong Kong Interbank Offered Rate futures contract and the One-Month Hong Kong Interbank Offered Rate futures contract.