

LEGISLATIVE COUNCIL BRIEF

Securities and Futures Ordinance (Cap. 571)

SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) RULES

INTRODUCTION

Pursuant to section 35(1) of the Securities and Futures Ordinance (Cap. 571) (“SFO”), the Securities and Futures Commission (SFC) has made the Securities and Futures (Contracts Limits and Reportable Positions) Rules (the Rules) at the **Annex**.

BACKGROUND

The SFO

2. The SFO was enacted in March 2002. It consolidates and modernizes ten existing ordinances governing the securities and futures markets into a composite piece of legislation to keep the regulatory regime on a par with international standards and practices. For effective regulation, the SFO has already provided flexibility in addressing changing market practices and global conditions by empowering the Chief Executive in Council, the Financial Secretary, the Chief Justice and the SFC to prescribe detailed and technical requirements as necessary by way of subsidiary legislation, to supplement the regulatory framework laid down under the primary legislation.

3. On 22 February 2002, the House Committee of the Legislative Council has established the Subcommittee on Draft Subsidiary Legislation to be made under the SFO (the Subcommittee) to study the subsidiary legislation necessary for commencing the SFO. From March 2002 to October 2002, the Subcommittee held 12 meetings and considered a total of 37 sets of draft subsidiary legislation, including the *vires* to make them.

THE PROPOSALS

Major policy considerations

4. The 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). The Rules apply to exchange-traded futures contracts and stock options contracts and set out 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 (the prescribed limits). The Rules seek to prevent the holding of large concentrations of futures contracts and stock options contracts by one person without the exchange companies being notified, in order to minimize systemic risks in the markets. The Rules also provide flexibility by empowering the relevant exchange company or the SFC to allow a person to hold futures or stock options contracts in excess of the prescribed limits in specified circumstances.

5. Whilst no new policy changes have been incorporated into the existing Rules, a number of amendments have been made in order to enhance transparency, address market comments and improve drafting. Specifically, the Rules set out clearly the criteria which are currently adopted by the exchange companies in allowing certain persons to hold futures or stock options contracts in excess of the prescribed limits pursuant to the rules of the exchanges. The power to allow the holding of excesses on a case-by-case basis will now be vested in the SFC instead of the exchanges.

6. The notification requirements for a reportable position are now clearly set out in the Rules, which are adopted from the existing requirements under the rules of the exchanges. In accordance with section 35(2) of the SFO, the SFC has consulted the Financial Secretary before making the Rules.

7. The prescribed limits and reportable positions set out in the Schedules to the Rules have been updated to take into account the latest products launched on the exchanges. In addition, in response to market comments and having discussed with the exchanges, the SFC has decided to increase the reportable positions prescribed for the HSI and mini-HSI futures and options contracts (see item 27 of Schedule 1 to the Rules), from 250 to 500 and from 1250 to 2500 respectively. The SFC considers that increasing the thresholds for reportable positions will reduce the

administrative burdens of market participants without unduly increasing the systemic risks in the market. This will be welcomed by the market.

THE RULES

8. Section 2 of the Rules contains interpretation provisions applicable throughout the Rules.

9. Section 3 of the Rules prescribes that the Rules shall apply to futures and stock options contracts that are traded on a recognized exchange company in accordance with its rules.

10. Section 4 of the Rules provides that no person may hold or control futures or stock options contracts in excess of the prescribed limits unless authorized by (a) the relevant exchange company under section 4(2); or (b) the SFC on a case-by-case basis under section 4(4). The types of persons who may be authorized by the exchange company under section 4(2) 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 listed under the Stock Exchange Listing Rules and their related corporations. Under section 4(4), the SFC may authorize certain persons to hold or control contracts in excess of the limits provided that such person is able to satisfy the SFC that special circumstances exist which warrant such excess and that such excess is not prejudicial to the interests of the investing public.

11. Section 5 provides that the limits on the number of contracts that may be held or controlled are specified, in respect of futures contracts in Schedule 1 and, in respect of stock options contracts, in Schedule 2.

12. Section 6(1) of the Rules provides that a person who holds or controls a reportable position must notify the exchange company concerned of that reportable position within one reporting day, providing the information specified in section 6(2).

13. Section 7 of the Rules permits the disaggregation of futures contracts or stock options contracts held on behalf of clients by exchange participants for the purposes of determining compliance with the limits and reporting requirements.

14. Section 8 of the Rules provides for the imposition of criminal penalties in respect of contraventions of section 4 or 6 of the Rules, and a defence of “reasonable excuse”. The maximum penalties are a fine at level 6 (currently at \$100,000) and 2 years’ imprisonment for conviction on indictment.

PUBLIC CONSULTATION

15. 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 by the end of the consultation period.

16. A draft of the Rules was considered by the Subcommittee at its meeting on 16 September 2002. No major concerns were expressed by members of the Subcommittee at the meeting.

17. Subsequently, the SFC received further comments from the respondents as part of the ongoing dialogue regarding the Rules. The SFC has considered all the comments received and made amendments to the Rules as appropriate. The Subcommittee has been informed of these subsequent amendments.

FINANCIAL AND STAFFING IMPLICATIONS

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

COMMENCEMENT DATE

19. The Rules will come into operation on the day appointed for the commencement of the SFO, together with other subsidiary legislation necessary for the commencement. We expect this to take place shortly, after completion of the negative vetting procedure through the Legislative Council and allowing the industry a reasonable period of time for making necessary adjustments with reference to the subsidiary legislation. We aim to announce the target commencement date by the end of 2002.

PUBLICITY

20. The Rules will be published in the Gazette on 13 December 2002. The SFC will issue a press release on the same day.

ENQUIRIES

21. For any enquiries on this brief, please contact Ms. Alexandra Yeong of the Supervision of Markets Division of the SFC at 2840 9247 or Ms. Mary Ahern of the Legal Services Division of the SFC at 2283 6809.

The Securities and Futures Commission
13 December 2002

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REPORTABLE POSITIONS) RULES****CONTENTS**

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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), and in relation to rules made under section 35(1)(e) of that Ordinance after consultation with the Financial Secretary)

1. Commencement

These Rules shall come into operation on the day appointed for the commencement of the Securities and Futures Ordinance (Cap. 571).

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;

“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;

“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).

(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 a person 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 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 limit.

(3) A person who may be authorized for the purposes of subsection (2) is –

- (a) a person 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;
- (b) a person 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;

- (c) an issuer of securities listed under Chapter 15A of the Listing Rules who holds or controls futures contracts or stock options contracts in the course of hedging the risks of positions previously acquired in such listed securities for the purpose of performing liquidity providing activities in respect of such listed securities; or
- (d) a related corporation of an issuer of securities listed under Chapter 15A of the Listing Rules, where the related corporation holds or controls futures contracts or stock options contracts in the course of hedging the risks of positions previously acquired in such listed securities for the purpose of performing liquidity providing activities in respect of such listed securities.

(4) A person, other than a person who may be authorized under subsection (3), may hold or control futures contracts or stock options contracts in excess of the prescribed limit if –

- (a) such person is able to satisfy the Commission that special circumstances exist which warrant the person holding or controlling the futures contracts or the 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 limit 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 satisfied of the matters referred to in paragraphs (a) and (b).

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 –

- (a) 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
- (b) 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(1) & 5(a)]

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 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 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 and options 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 or Mini-Hang Seng Index options contracts shall not at any time exceed 2 000 long or short for all contract months combined	500 open Hang Seng Index futures contracts for any one contract month; 500 open Hang Seng Index options contracts for any one series; 2 500 open Mini-Hang Seng Index futures contracts for any one contract month and 2 500 open Mini-Hang Seng Index options contracts for any one series
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.	KT 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 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 KT 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 contract during the last 6 trading days is 1 000 open contracts	1 000 open contracts for any one contract month except that the reportable position for the spot month contract during the last 6 trading days is 200 open contracts
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(1) & 5(b)]

PRESCRIBED LIMIT AND REPORTING LEVEL FOR STOCK OPTIONS CONTRACTS

Item	Stock options contract	Prescribed limit	Reporting level
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



Andrew Len Tao SIENG

Chairman,
Securities and Futures Commission

9th December, 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 an authorized person) from holding or controlling futures contracts and stock options contracts in excess of the prescribed limit;
- (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; and
- (c) to provide for penalties for contravention of such prohibition or requirement.