

LEGISLATIVE COUNCIL BRIEF

SECURITIES AND FUTURES ORDINANCE (CAP. 571)

SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) (AMENDMENT) (NO. 2) RULES 2004

INTRODUCTION

1. At its meeting on 19 April 2004, the Securities and Futures Commission (“**the Commission**”) made the Securities and Futures (Contracts Limits and Reportable Positions) (Amendment) (No. 2) Rules 2004 (“**the Amendment Rules**”) at the Annex.

BACKGROUND AND ARGUMENT

2. Section 35(1) of the Securities and Futures Ordinance (Cap. 571) provides that the Commission may prescribe limits and reportable positions on futures contracts and options contracts. These limits and positions are prescribed in the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y, “**Rules**”), and parallel those set by the Hong Kong Futures Exchange Limited (“**HKFE**”) (in the case of futures contracts) and the Stock Exchange of Hong Kong Limited

(“SEHK”) (in the case of options contracts) in their respective regulations.

3. The names of four existing stock futures contracts and four existing stock options contracts have been changed as a result of changes in the name of the relevant underlying stock. It is accordingly proposed that reference to these contracts in the Rules be amended accordingly.
4. Secondly, one existing index futures contract and one existing index options contract have been delisted. It is accordingly proposed that reference to these contracts in the Rules be removed.
5. Thirdly, it is proposed that limits and reportable levels be set in respect of fifteen new stock futures contracts and fifteen new stock options contracts. The limits and reportable levels proposed mirror those stipulated in the respective regulations of HKFE and SEHK.
6. Trading in the new stock futures and stock options contracts has not commenced yet. HKFE (in the case of the new stock futures contracts) and SEHK (in the case of the new stock options contracts) will make announcements when trading in the relevant contracts commences.

THE AMENDMENT RULES

7. The Amendment Rules amend Schedules 1 and 2 to the Rules by–

- (1) changing the names of four existing stock options contracts and four existing stock futures contracts;
- (2) deleting one existing stock index options contract and one existing stock index futures contract; and
- (3) adding fifteen new stock options contracts and fifteen new stock futures contracts.

PUBLIC CONSULTATION

8. As the amendments are essentially of a technical nature and not controversial, the Commission does not consider it necessary to conduct public consultation.

FINANCIAL AND STAFFING IMPLICATIONS

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

COMMENCEMENT DATE

10. The Amendment Rules will come into operation on 25 June 2004.

PUBLICITY

11. The Amendment Rules will be gazetted on 30 April 2004.

ENQUIRIES

12. For any enquiries on this brief, please contact Ms Thrity Mukadam, Senior Counsel with the Legal Services Division of the Commission (at 28409209), or Mr Stanley Ng, Senior Manager with the Supervision of Markets Division of the Commission (at 22836133).

The Securities and Futures Commission

29 April 2004

SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) (AMENDMENT) (NO. 2) RULES 2004

(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 25 June 2004.

2. Prescribed limit and reporting level for futures contracts

Schedule 1 to the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571 sub. leg. Y) is amended –

- (a) in item 37, in column 2, by repealing “Legend Group Ltd.” and substituting “Lenovo Group Ltd.”;
- (b) by repealing items 38 and 39;
- (c) in item 40, in column 2, by repealing “Amoy Properties Ltd.” and substituting “Hang Lung Properties Ltd.”;
- (d) in item 48, in column 2, by repealing “Hang Lung Development Co. Ltd.” and substituting “Hang Lung Group Ltd.”;
- (e) in item 58, in column 2, by repealing “South China Morning Post (Holdings) Ltd.” and substituting “SCMP Group Ltd.”;
- (f) by adding –

“112.	Aluminum Corporation of China Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
113.	ASM Pacific Technology Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
114.	Beijing Datang Power Generation Co. Ltd.	5 000 open contracts for	1 000 open contracts for

	stock futures contract	any one contract month	any one contract month
115.	Brilliance China Automotive Holdings Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
116.	China Life Insurance Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
117.	China Shipping Development Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
118.	China Telecom Corporation Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
119.	Kerry Properties Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
120.	PICC Property and Casualty Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
121.	Sinotrans Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
122.	Standard Chartered Plc. stock futures contract	5 000 open contracts for any one	1 000 open contracts for any one

		contract month	contract month
123.	Techtronic Industries Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
124.	Tingyi (Cayman Islands) Holdings Corp. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
125.	Yanzhou Coal Mining Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month
126.	Zhejiang Expressway Co. Ltd. stock futures contract	5 000 open contracts for any one contract month	1 000 open contracts for any one contract month”.

3. Prescribed limit and reporting level for stock options contracts

Schedule 2 is amended –

- (a) in item 10, in column 2, by repealing “Amoy Properties Ltd.” and substituting “Hang Lung Properties Ltd.”;
- (b) in item 20, in column 2, by repealing “Hang Lung Development Co. Ltd.” and substituting “Hang Lung Group Ltd.”;
- (c) in item 25, in column 2, by repealing “South China Morning Post (Holdings) Ltd.” and substituting “SCMP Group Ltd.”;
- (d) in item 34, in column 2, by repealing “Legend Group Ltd.” and substituting “Lenovo Group Ltd.”;
- (e) by adding –

“52.	Aluminum Corporation of China	25 000 contracts in	5 000 contracts in
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	Ltd. stock options contract	any one expiry month	any one expiry month
53.	ASM Pacific Technology Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
54.	Beijing Datang Power Generation Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
55.	Brilliance China Automotive Holdings Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
56.	China Life Insurance Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
57.	China Shipping Development Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
58.	China Telecom Corporation Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
59.	Kerry Properties Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
60.	PICC Property and Casualty Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
61.	Sinotrans Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
62.	Standard Chartered	25 000	5 000

	Plc. stock options contract	contracts in any one expiry month	contracts in any one expiry month
63.	Techtronic Industries Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
64.	Tingyi (Cayman Islands) Holdings Corp. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
65.	Yanzhou Coal Mining Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month
66.	Zhejiang Expressway Co. Ltd. stock options contract	25 000 contracts in any one expiry month	5 000 contracts in any one expiry month".



Andrew Len Tao SHENG
Chairman,
Securities and Futures Commission

26 April 2004

Explanatory Note

Under section 35(1) of the Securities and Futures Ordinance (Cap. 571), the Securities and Futures Commission may prescribe limits on the number of futures contracts and options contracts that may be held or controlled by any person. It may also prescribe the reportable positions in respect of such contracts.

2. Such limits and reportable positions are established and fixed for the futures contracts and stock options contracts specified respectively in Schedules 1 and 2 to the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571 sub. leg.). Those Schedules are now amended to reflect the change of names of 4 existing

futures contracts and 4 existing stock options contracts, to delete 2 existing futures contracts and to add 15 new futures contracts and 15 new stock options contracts.