

LEGISLATIVE COUNCIL BRIEF

SECURITIES AND FUTURES ORDINANCE (CAP. 571)

SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) (AMENDMENT) RULES 2005

INTRODUCTION

1. At its meeting on 18 April 2005, the Securities and Futures Commission (“**the Commission**”) made the Securities and Futures (Contracts Limits and Reportable Positions) (Amendment) Rules 2005 (“**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. It is proposed that limits and reportable levels be set in respect of one new index futures contract and one new index options contract. The limits will be a combined limit (ie in respect of the total index futures and index options contracts). The limits and reportable levels proposed mirror those stipulated in the respective regulations of HKFE.
4. HKFE has announced that trading in the new futures contracts will commence on 23 May 2005. HKFE will make a further announcement when trading in the relevant contracts commences.

THE AMENDMENT RULES

5. The Amendment Rules amend Schedule 1 to the Rules by adding the new futures contracts.

PUBLIC CONSULTATION

6. 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

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

COMMENCEMENT DATE

8. The Amendment Rules will come into operation on 1 July 2005.

PUBLICITY

9. The Amendment Rules will be gazetted on 6 May 2005.

ENQUIRIES

10. 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 Rico Leung, Associate Director with the Supervision of Markets Division of the Commission (at 28409357).

The Securities and Futures Commission

29 April 2005

SECURITIES AND FUTURES (CONTRACTS LIMITS AND REPORTABLE POSITIONS) (AMENDMENT) RULES 2005

(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 1 July 2005.

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 by adding –

“127.	FTSE/Xinhua China 25 Index futures and options contracts	6 000 long or short position delta limit for all contract months combined	500 open FTSE/Xinhua China 25 Index futures contracts for any one contract month and 500 open FTSE/Xinhua China 25 Index options contracts for any one series”.
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Peter Au-Yang Cheong Yan
Acting Chairman,
Securities and Futures Commission

2005

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 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 specified in Schedule 1 to the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571 sub. leg. Y). The purpose of these Rules is to add FTSE/Xinhua China 25 Index futures and options contracts to that Schedule.