

LEGISLATIVE COUNCIL BRIEF

SECURITIES ORDINANCE

SECURITIES (EXCHANGE-TRADED STOCK OPTIONS)(AMENDMENT) RULES 1998

INTRODUCTION

At its meeting on 24 September 1998, the Securities and Futures Commission made the Securities (Exchange-Traded Stock Options)(Amendment) Rules 1998 (the “Amendment Rules”). (Annex 2).

BACKGROUND AND ARGUMENT

2. The Hong Kong Stock Exchange of Hong Kong Limited (“SEHK”) began trading in stock options in September 1995.
3. The Commission has made position and reporting limits in relation to those stock options under section 146(1)(rb) of the Securities Ordinance (Cap.333) which parallel the limits set by the SEHK in the Operational Trading Procedures for Options Trading Members.
4. The Commission recently made similar limits in relation to 11 new stock option classes, as listed in Annex 1. SEHK proposes to launch the commencement of trading of these stock options whenever market conditions are favourable.
5. The limits are necessary to facilitate market surveillance and risk management.

THE AMENDMENT RULES

6. The Amendment Rules amend the Schedule to the Rules with the addition of 11 new stock option classes and the amendment of one (1) existing stock option class.

PUBLIC CONSULTATION

7. Both the Commission and the SEHK support the introduction of the 11 new stock option classes.

FINANCIAL AND STAFFING IMPLICATIONS

8. The are no financial and staffing implications for Government.

COMMENCEMENT DATE

9. The commencement date for the Amendment Rules will be 16 October 1998.

PUBLICITY

10. The Amendment Rules will be published in the Gazette on 16 October 1998. SEHK will make an announcement when the new stock options contracts begin trading.

ENQUIRIES

11. For any enquiries on this brief, please contact Ms Alexandra Lo, Senior Counsel of the Legal Services Division at 2840 9252 or Mr George Tam, Senior Manager of the Supervision of Markets Division, at 2840 9223.

The Securities & Futures Commission
25 September 1998.