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Dear Clients,

**Re: Enhancements of Block Trade Facility in the Derivatives Market**

Reference is made to the circulars dated 4 August 2023 ([MO DT 191 23 e.pdf \(hkex.com.hk\)](#); [MO DT 190 23 e.pdf \(hkex.com.hk\)](#)) and 29 June 2023 ([MO DT 157 23 e.pdf \(hkex.com.hk\)](#); [MO DT 156 23 e.pdf \(hkex.com.hk\)](#)) issued by the Hong Kong Futures Exchange Limited (“HKFE”) and the Stock Exchange of Hong Kong Limited (“SEHK”) (collectively, “the Exchange”)

The Exchange has announced that the enhanced Block Trade Facility in the derivatives market will be launched on **Monday, 28 August 2023** (“the Launch Date”).

**1) Enhanced Block Trade Price Precision by Average Pricing**

It is very common for a Block Trade to be agreed at a price between two ticks. Currently, Exchange Participants will split a single trade into two and execute them at different prices to achieve a targeted average price. Since there are Minimum Volume Threshold (“MVT”) requirements for Block Trade, a Block Trade with quantity at MVT cannot be split for an average price. The enhancement will allow the MVT requirements to be satisfied by the summation of the volumes of two legs to achieve an average price with more decimals than the tick size. The two legs must be entered as part of the same strategy according to existing procedures as stipulated in Section 2.2 of the HKATS User’s Guide, i.e. contain the same reference free text. This enhancement applies to all products eligible for block trading.

Example	Current State	With Enhancement
Block Trade of HSI Futures Jun 23 contract with 100 lots @ 21,000.88 can be executed as follows: <ul style="list-style-type: none"> <li>- Leg 1: 88 lots @ 21,001</li> <li>- Leg 2: 12 lots @ 21,000</li> </ul> Total Volume = 100 lots Average Price = 21,000.88	<u>Not allow</u> both legs do not satisfy MVT	<u>Allow</u>

## 2) Lower MVTs for HSI and HSCEI Back Month Contracts (Fifth Contract Month and Onwards)

The MVTs for back month contracts of HSI and HSCEI Futures and Options will be lowered from 100 lots to 50 lots to facilitate Block Trade execution for contract months with lower liquidity. The change focuses on relatively illiquid contracts and thus it will have little impact on liquid contracts. This enhancement applies to HSI and HSCEI Futures, Options and Futures Options. The MVTs of other products remain unchanged.

## 3) Block Trade Order Entry After the Close of T Session

Block Trade order entry will be allowed for all Stock and Stock Index Futures and Options and Stock options for a time period after the close of T Sessions for Block Trades referencing volume-weighted average price (“VWAP”) or underlying index or stock close. After the close of T Session, applicable markets will immediately move to a new session state when order entry for such Block Trades is allowed. This enhancement applies to all Stock and Stock Index Futures and Options.

Market	Close of T Session	Block Trade Order Entry Period	Start of T+1 Session
Stock Futures	16:00	16:00 - 16:25 <sup>3</sup> (15 mins after closing auction in cash market)	N/A
Stock Index Futures & Options	16:30	16:30 - 16:45 <sup>4</sup>	17:15
MSCI Index Suite (Early Close Contracts)	13:45	13:45 - 14:00	14:30 (No T+1 for Options)
MSCI Index Suite	16:30	16:30 - 16:45	17:15
MSCI Index Suite (Late Close Contracts)	18:30	18:30 - 18:45	19:15

Block Trades executed during the Block Trade Order Entry Period are subject to all Block Trade criteria as stipulated in relevant HKFE rules and procedures.

Market	Market Close	Block Trade Order Entry Period
Stock Options	16:00	16:00 - 16:25 <sup>2</sup> (15 mins after closing auction in cash market)

All Block Trades must be negotiated during the trading hours of the Block Trade Contract concerned and be executed immediately on HKATS via the BTF. Block Trades executed during the Block Trade Order Entry Period are also subject to all Block Trade criteria as stipulated in relevant Options Trading Rules and Procedures of SEHK.

#### 4) Reporting of Overnight Block Trades (applies to MSCI Index Futures only)

Basis Trades at Index Close (“BTIC”) Block Trades for MSCI Futures are often executed in the next T Session since the official closing value of the underlying MSCI index is available either at late night Hong Kong Time or after the close of the T+1 Session. This creates an execution risk as the agreed price may fall outside the Permissible Price Range (“PPR”) at the time of execution.

In order to facilitate the execution of overnight Block Trades, a new PPR that makes reference to the latest official closing value of the underlying MSCI index will be introduced for the first 30 minutes of the next available trading session for MSCI Futures. The same price parameter of +/- 3% will apply.

MSCI Futures Contracts	Market Open	Period	Reference Price	Permissible Price Range
MSCI Taiwan Index Futures <sup>5</sup>	8:45	8:45 - 9:15	Latest official closing value of the underlying MSCI index	+/-3% of the latest official closing value of the underlying MSCI index
Other MSCI Futures	9:00	9:00 - 9:30	Latest official closing value of the underlying MSCI index	+/-3% of the latest official closing value of the underlying MSCI index

Please note that you should review the relevant Trading Rules and Procedures in their entirety and consult with your Compliance to ensure that your firm has a full understanding of the requirements when trading on HK exchange.

Yours sincerely,

**GFI (HK) Securities LLC**