

L.N. 149 of 2023

Securities and Futures (Contracts Limits and Reportable Positions) (Amendment) Rules 2023

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Securities and Futures (Contracts Limits and Reportable Positions) (Amendment)
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Securities and Futures (Contracts Limits and Reportable Positions) (Amendment) Rules 2023

(Made by the Securities and Futures Commission under section 35 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 come into operation on 22 December 2023.

2. Securities and Futures (Contracts Limits and Reportable Positions) Rules amended

The Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571 sub. leg. Y) are amended as set out in sections 3 to 11.

3. Section 2 amended (interpretation)

(1) Section 2(1)—

Repeal the definition of *adequate financial capability*

Substitute

“*adequate financial capability* (充足財政能力)—

- (a) in relation to a clearing participant—means any of the clearing participant or its holding company having—
 - (i) a net asset value of not less than \$5 billion as set out in its latest audited financial statements; or
 - (ii) a qualifying credit rating; and

Section 3

(b) in relation to an exchange participant or an affiliate of an exchange participant—means any one of the exchange participant, the affiliate of the exchange participant or their holding company having—

- (i) a net asset value of not less than \$5 billion as set out in its latest audited financial statements; or
- (ii) a qualifying credit rating;”.

(2) Section 2(1), definition of *constitutive documents*—

Repeal

“collective investment scheme”

Substitute

“fund”.

(3) Section 2(1), definition of *constitutive documents*—

Repeal

“the scheme”

Substitute

“the fund”.

(4) Section 2(1), definition of *exchange traded fund*—

Repeal

“collective investment scheme”

Substitute

“fund”.

(5) Section 2(1), definition of *offering document*—

Repeal

“collective investment scheme”

Substitute

Section 3

“fund”.

- (6) Section 2(1), definition of *offering document*, paragraphs (a) and (b)—

Repeal

“scheme” (wherever appearing)

Substitute

“fund”.

- (7) Section 2(1)—

Repeal the definition of *reportable position*

Substitute

“*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 in excess of the reporting level of such a contract;”.

- (8) Section 2(1)—

Repeal the definition of *specified contract*

Substitute

“*specified contract* (指明合約) means—

- (a) a stock index futures contract that has one of the following indices as an underlying index—
- (i) Hang Seng Index;
 - (ii) Hang Seng Index (Gross Total Return Index);
 - (iii) Hang Seng Index (Net Total Return Index);
 - (iv) Hang Seng China Enterprises Index;
 - (v) Hang Seng China Enterprises Index (Gross Total Return Index);

Section 3

- (vi) Hang Seng China Enterprises Index (Net Total Return Index);
- (vii) Hang Seng TECH Index;
- (viii) Hang Seng TECH Index (Gross Total Return Index);
- (ix) Hang Seng TECH Index (Net Total Return Index);
- (b) a stock index options contract that has one of the indices referred to in paragraph (a)(i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) as an underlying index; or
- (c) a stock index futures options contract that has a stock index futures contract referred to in paragraph (a) as an underlying contract;”.

- (9) Section 2(1), English text, definition of *specified percentage*—

Repeal the full stop

Substitute a semicolon.

- (10) Section 2(1)—

Repeal the definition of *open-ended collective investment scheme*.

- (11) Section 2(1)—

Add in alphabetical order

“*contract multiplier* (合約乘數)—

- (a) in relation to a stock index futures contract or a stock index options contract specified in item 4, 5 or 21 in Schedule 1 that has an index as an underlying index—means the cash value of one point of the index or otherwise as specified by the Futures Exchange Company to be the

“contract multiplier” for the contract in its contract specifications set out in the rules of the Futures Exchange Company; or

- (b) in relation to a stock index futures options contract specified in item 4, 5 or 21 in Schedule 1 that has a stock index futures contract as an underlying contract—means the cash value of one point of the stock index futures contract’s underlying index or otherwise as specified by the Futures Exchange Company to be the “contract multiplier” for the stock index futures options contract in its contract specifications set out in the rules of the Futures Exchange Company;

fund (基金) means a collective investment scheme;

HKFECC (期貨結算公司) means the recognized clearing house known as HKFE Clearing Corporation Limited;

open-ended fund (開放式基金) means a fund the shares or units of which may be repurchased or redeemed at the request of any of its shareholders or unit holders—

- (a) at a price calculated wholly or mainly by reference to the net asset value of the fund; and
- (b) in accordance with the frequency for repurchase or redemption, requirements and procedures set out in the offering document or constitutive documents of the fund;

reporting level (須申報水平) means—

- (a) in the case of a futures contract specified in column 2 of Schedule 1—the number of contracts 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—the number of contracts specified opposite to it in column 4 of that Schedule;

scheme property (計劃財產), in relation to a fund, means the property under the fund;

SEOCH (期權結算公司) means the recognized clearing house known as The SEHK Options Clearing House Limited;

stock index futures options contract (股票指數期貨期權合約) means a stock index options contract that has a stock index futures contract as an underlying contract;

sub-fund (子基金), in relation to an umbrella fund, means a separate part of the scheme property of the umbrella fund where assets of the part belong exclusively to the part and can be used to discharge the liabilities of, or the claims against, the part only;

umbrella fund (傘子基金) means a fund the constitutive documents of which provide for the division of its scheme property into separate parts.”.

(12) Section 2(2), English text—

Repeal

“shall”

Substitute

Section 4

“is to”.

(13) After section 2(2)—

Add

“(3) For the purposes of these Rules, each sub-fund of an umbrella fund is to be regarded as separate from the umbrella fund and any of the other sub-funds of the umbrella fund.

(4) For the purposes of these Rules, a unit holder of a fund constituted as a trust is not to be regarded, only by virtue of the unit holder holding one or more units in the fund, as holding or controlling futures contracts or stock options contracts in respect of the fund.”.

4. Section 4 amended (restrictions on number of contracts held or controlled)

(1) At the end of section 4(1)—

Add

“Note—

For funds, see also section 7A.”.

(2) Section 4(3), (4) and (5)—

Repeal

“4D or 4E”

Substitute

“4D, 4E or 4F”.

5. Section 4A amended (authorization under rules of recognized exchange company to hold or control contracts in excess of prescribed limit)

(1) Section 4A(c)—

Section 5

Repeal

“; or”

Substitute a semicolon.

- (2) Section 4A(c), Chinese text—

Repeal

“15A”

Substitute

“十五 A”.

- (3) Section 4A(d)—

Repeal the full stop

Substitute

“; or”.

- (4) Section 4A(d), Chinese text—

Repeal

“15A”

Substitute

“十五 A”.

- (5) After section 4A(d)—

Add

- “(e) a clearing participant of HKFECC or SEOCH that clears futures contracts or stock options contracts for a person who is—
- (i) specified in paragraph (a), (b), (c) or (d); and
 - (ii) 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.”.

Section 6

6. Section 4F added

After section 4E—

Add

“4F. Authorization by Commission for clearing participants

- (1) Subject to subsection (2) and section 4(4)(a) and (b), the Commission may authorize a person referred to in subsection (3) to hold or control a specified contract in excess of the prescribed limit by up to the specified percentage.
- (2) The Commission must not authorize a person referred to in subsection (3) to hold or control a specified contract in excess of the prescribed limit unless the person satisfies the Commission that—
 - (a) the person has adequate financial capability to cover the potential risks arising from the excess; and
 - (b) the person has effective internal control procedures and risk management systems to manage the potential risks arising from the excess.
- (3) Subsection (1) applies to a person that—
 - (a) is a clearing participant; and
 - (b) clears the specified contract for another person that has been authorized by the Commission under section 4C, 4D or 4E to hold or control the specified contract in excess of the prescribed limit.”.

7. Section 6 amended (notice of reportable positions)

- (1) Section 6(1)—

Section 7

Repeal

“Any”

Substitute

“Subject to subsection (1A), any”.

- (2) Section 6(1), English text—

Repeal

“shall”

Substitute

“must”.

- (3) Section 6(1)(a), Chinese text—

Repeal

“須在”

Substitute

“在”.

- (4) Section 6(1), Chinese text—

Repeal paragraph (b)

Substitute

“(b) 在該人繼續持有或控制該須申報的持倉量的每一日
後的一個營業日內，”.

- (5) At the end of section 6(1)—

Add

“Note—

For funds, see also section 7A.”.

- (6) After section 6(1)—

Add

- “(1A) If the reportable position held or controlled by a person is in any holiday contract, the person must lodge a notice in writing of the reportable position with the Futures Exchange Company within one holiday contract trading day following—
- (a) the day on which the person first holds or controls the reportable position; and
 - (b) each succeeding day on which the person continues to hold or control the reportable position.
- (1B) For the avoidance of doubt, for the purposes of subsection (1A), section 71(1)(b) and (c) of the Interpretation and General Clauses Ordinance (Cap. 1) does not apply.”.
- (7) Section 6—

Repeal subsection (2)

Substitute

- “(2) A notice referred to in subsection (1) or (1A) must be accompanied by the following information—
- (a) the number of futures contracts or stock options contracts held or controlled by the person that comprise the reportable position in each relevant contract period (including contract month or contract week) or option series; and
 - (b) subject to section 7A(5), if the reportable position consists of a position held or controlled for any other person—
 - (i) the identity of each other person; and
 - (ii) the number of futures contracts or stock options contracts held or controlled for the person’s own account (if applicable) and

for each other person that comprise the reportable position in each relevant contract period (including contract month or contract week) or option series.”.

- (8) After section 6(2)—

Add

- “(3) In this section—

holiday contract (假期合約) means a futures contract that is determined by the Futures Exchange Company to be a “holiday trading exchange contract” in accordance with the rules of the Futures Exchange Company;

holiday contract trading day (假期合約交易日), in relation to a holiday contract, means a day determined by the Futures Exchange Company to be a day on which the holiday contract may be traded through the facilities of the Futures Exchange Company in accordance with the rules of the Futures Exchange Company.”.

8. Section 7 amended (compliance by certain persons)

- (1) Section 7, Chinese text, heading, after “遵守”—

Add

“的”.

- (2) Section 7(1)—

Repeal

“In”

Substitute

“Subject to section 7A, in”.

- (3) Section 7(1)—

Repeal

“reportable positions”

Substitute

“reporting levels”.

- (4) Section 7(1)(a)—

Repeal

“his”

Substitute

“the first person’s”.

- (5) Section 7(1)(b), Chinese text, after “控制的”—

Add

“任何”.

- (6) Section 7(2), English text—

Repeal

“shall not”

Substitute

“is not to”.

- (7) Section 7(2), English text—

Repeal

“he”

Substitute

“the first person”.

- (8) Section 7(3)—

Repeal

“For the purposes of subsection (2), a person shall be regarded as having discretion in relation to futures contracts or stock options contracts he”

Substitute

“Subject to subsection (4), for the purposes of subsection (2), a person is to be regarded as having discretion in relation to futures contracts or stock options contracts the person”.

- (9) Section 7(3)(a), English text—

Repeal

“he”

Substitute

“the first person”.

- (10) After section 7(3)—

Add

“(4) A clearing participant of HKFECC or SEIOCH is not to be regarded as having discretion in relation to futures contracts or stock options contracts the clearing participant holds or controls for another person if the clearing participant’s power to acquire or dispose of the other person’s futures contracts or stock options contracts (as the case may be) may only be exercised in the event of a default in meeting any contractual obligation by the other person.

- (5) This section does not apply in relation to futures contracts or stock options contracts held or controlled by a person in respect of funds.”.

9. Section 7A added

After section 7—

Add

“7A. Compliance by persons with respect to funds

- (1) Subject to subsections (2), (3) and (4), in their application to a person holding or controlling futures contracts or stock options contracts in respect of one or more funds, the prescribed limits and reporting levels apply separately to any futures contracts or stock options contracts held or controlled by the person—
 - (a) for the person’s own account; and
 - (b) in respect of each fund.
- (2) Subject to subsections (3) and (4), in their application to a person holding or controlling futures contracts or stock options contracts in respect of one or more sub-funds of one or more umbrella funds, the prescribed limits and reporting levels apply separately to any futures contracts or stock options contracts held or controlled by the person—
 - (a) for the person’s own account; and
 - (b) in respect of each sub-fund.
- (3) For the purposes of section 4(1), a person who holds or controls futures contracts or stock options contracts in respect of one or more funds, or one or more sub-funds of one or more umbrella funds, and has discretion in relation to those contracts must, in applying the prescribed limits, ensure that none of the following exceeds the prescribed limits for such contracts—
 - (a) the aggregate number of contracts the person holds or controls—
 - (i) for the person’s own account; and

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- (ii) in respect of all funds and sub-funds (as the case may be);
 - (b) the number of contracts the person holds or controls for the person's own account;
 - (c) the number of contracts the person holds or controls in respect of each fund;
 - (d) the number of contracts the person holds or controls in respect of each sub-fund.
- (4) For the purposes of section 6(1) or (1A), a person who holds or controls futures contracts or stock options contracts in respect of one or more funds, or one or more sub-funds of one or more umbrella funds, and has discretion in relation to those contracts, is to be regarded as holding or controlling a reportable position when the aggregate of the following reaches a reporting level—
 - (a) the number of contracts the person holds or controls for the person's own account;
 - (b) the number of contracts the person holds or controls in respect of all funds and sub-funds (as the case may be).
- (5) If a person is regarded as holding or controlling a reportable position under subsection (4), a notice referred to in section 6(1) or (1A) must be accompanied by the following information—
 - (a) the name of each fund and sub-fund (if applicable); and
 - (b) the number of futures contracts or stock options contracts held or controlled for the person's own account (if applicable) and in respect of each fund and sub-fund (if

applicable) that comprise the reportable position in each relevant contract period (including contract month or contract week) or option series.

- (6) For the purposes of subsections (3) and (4), a person is to be regarded as having discretion in relation to futures contracts or stock options contracts the person holds or controls in respect of a fund or a sub-fund of an umbrella fund if—
 - (a) the person may originate orders to acquire or dispose of any of the futures contracts or stock options contracts under a general authorization from the fund or umbrella fund (as the case may be), whether the authorization is pursuant to a written agreement, power of attorney or otherwise; and
 - (b) the general authorization enables the person to make specific acquisitions or disposals without requiring further consent or instruction from the fund or umbrella fund (as the case may be).
- (7) For the purposes of subsection (6), if the fund or sub-fund of an umbrella fund does not have the status of a legal person under the law of the place under which it is constituted, a reference to general authorization in subsection (6)(a) or further consent or instruction in subsection (6)(b) is to be construed as a reference to such an authorization, consent or instruction from the legal person holding the legal title to the futures contracts or stock options contracts in respect of the fund or the sub-fund.”.

10. Schedule 1 amended (prescribed limit and reporting level for futures contracts)

(1) Schedule 1—

Repeal item 1

Substitute

“1. Stock futures contract on shares listed on a stock market operated by the Stock Exchange Company 25 000 net long or short contracts for all contract months combined 1 000 open contracts for any one contract month”.

(2) Schedule 1—

Repeal item 4

Substitute

“4. (a) Stock index futures contract that has one of the following indices as an underlying index— (i) Hang Seng Index; (ii) Hang Seng Index (Gross Total Return Index); 10 000 net long or short position delta limit for all contract periods (including contract months or contract weeks) combined (a) For a stock index futures contract, for any one contract period (including contract month or contract week), 500 open contracts multiplied by the ratio of HK\$50

- (iii) Hang Seng Index (Net Total Return Index) per index point to the contract multiplier in relation to the stock index futures contract
- (b) Stock index options contract that has one of the indices referred to in paragraph (a)(i), (ii) and (iii) as an underlying index
 - (b) For a stock index options contract or a stock index futures options contract, for any one option series, 500 open contracts multiplied by the ratio of HK\$50 per index point to the contract multiplier in relation to the stock index options
- (c) Stock index futures options contract that has a stock index futures contract referred to in paragraph (a) as an underlying contract

contract or
the stock
index futures
options
contract”.

(3) Schedule 1—

Repeal item 5

Substitute

- “5. (a) Stock index futures contract that has one of the following indices as an underlying index—
- (i) Hang Seng China Enterprises Index;
 - (ii) Hang Seng China Enterprises Index (Gross Total Return Index);
- 12 000 net long or short position delta limit for all contract periods (including contract months or contract weeks) combined
- (a) For a stock index futures contract, for any one contract period (including contract month or contract week), 500 open contracts multiplied by the ratio of HK\$50 per index point to the contract multiplier in

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- (iii) Hang Seng
China
Enterprises
Index (Net
Total
Return
Index)
- (b) Stock index
options contract
that has one of
the indices
referred to in
paragraph (a)(i),
(ii) and (iii) as
an underlying
index
- (c) Stock index
futures options
contract that
has a stock
index futures
contract referred
to in paragraph
(a) as an
underlying
contract
- relation to
the stock
index futures
contract
- (b) For a stock
index
options
contract or
a stock
index futures
options
contract, for
any one
option
series, 500
open
contracts
multiplied
by the ratio
of HK\$50
per index
point to the
contract
multiplier in
relation to
the stock
index
options
contract or
the stock
index futures
options
contract”.

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- (4) Schedule 1, item 6—

Repeal

“10 000 long or short position delta limit for all contract months combined”

Substitute

“10 000 net long or short contracts for all contract months combined”.

- (5) Schedule 1—

Repeal item 7.

- (6) Schedule 1, item 8—

Repeal

“reportable position”

Substitute

“reporting level”.

- (7) Schedule 1—

Repeal item 9.

- (8) Schedule 1—

Repeal item 13

Substitute

- “13. US Dollar vs Renminbi (Hong Kong) futures contract and options contract, Mini US Dollar vs Renminbi (Hong Kong) futures contract, and Renminbi (Hong Kong) vs US Dollar futures contract 30 000 net long or short position delta limit for all contract months combined, provided that the position delta for the spot month US Dollar vs Renminbi (Hong Kong) futures contracts and the spot month US Dollar vs Renminbi (Hong Kong) options contracts combined during the last 5 trading days must not exceed 15 000 long or short 500 open US Dollar vs Renminbi (Hong Kong) futures contracts for any one contract month; 500 open US Dollar vs Renminbi (Hong Kong) options contracts for any one option series; 2 500 open Mini US Dollar vs Renminbi (Hong Kong) futures contracts for any one contract month; and 500 open Renminbi (Hong Kong) vs US Dollar futures contracts for any one contract month”.

(9) Schedule 1—

Repeal items 14, 15 and 16.

(10) Schedule 1—

Repeal item 17

Substitute

“17. Stock futures 25 000 net long 1 000 open
contract on shares or or short contracts for any
units of exchange contracts for all one contract
traded funds contract months month”.

combined

(11) Schedule 1—

Repeal items 18, 19 and 20.

(12) Schedule 1—

Add

“21. (a) Stock index 21 000 net long (a) For a stock
futures contract or short position index futures
that has one of delta limit for contract, for
the following all contract any one
indices as an periods contract
underlying (including period
index— contract months (including
(i) Hang Seng or contract contract
TECH weeks) month or
Index; combined contract
(ii) Hang Seng week), 500
TECH open
Index contracts
(Gross multiplied
Total by the ratio
Return of HK\$50
Index); per index
(iii) Hang Seng point to the
TECH contract
Index (Net multiplier in
Total relation to
Return the stock
Index) index futures
contract

-
- | | |
|---|---|
| <p>(b) Stock index options contract that has one of the indices referred to in paragraph (a)(i), (ii) and (iii) as an underlying index</p> <p>(c) Stock index futures options contract that has a stock index futures contract referred to in paragraph (a) as an underlying contract</p> | <p>(b) For a stock index options contract or a stock index futures options contract, for any one option series, 500 open contracts multiplied by the ratio of HK\$50 per index point to the contract multiplier in relation to the stock index options contract or the stock index futures options contract</p> |
|---|---|

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Section 10

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|-----|--|---|---|
| 22. | MSCI China A 50 Connect (USD) Index futures contract | 28 000 net long or short contracts for all contract months combined | 500 open contracts for any one contract month |
| 23. | CES China 120 Index futures contract | 30 000 net long or short contracts for all contract months combined | 1 500 open contracts for any one contract month |
| 24. | Hang Seng Mainland Banks Index futures contract | 15 000 net long or short contracts for all contract months combined | 500 open contracts for any one contract month |
| 25. | MSCI China (USD) Index futures contract | 35 000 net long or short contracts for all contract months combined | 500 open contracts for any one contract month |
| 26. | MSCI China Net Total Return (USD) Index futures contract | 53 000 net long or short contracts for all contract months combined | 500 open contracts for any one contract month |

Securities and Futures (Contracts Limits and Reportable Positions) (Amendment)
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- | | | | |
|-----|---|---|--|
| 27. | MSCI Hong Kong
Net Total Return
(USD) Index futures
contract | 8 000 net long
or short
contracts for all
contract months
combined | 500 open
contracts for any
one contract
month |
| 28. | Australian Dollar vs
Renminbi (Hong
Kong) futures
contract | 12 000 net long
or short
contracts for all
contract months
combined | 500 open
contracts for any
one contract
month |
| 29. | Euro vs Renminbi
(Hong Kong) futures
contract | 12 000 net long
or short
contracts for all
contract months
combined | 500 open
contracts for any
one contract
month |
| 30. | Indian Rupee vs
Renminbi (Hong
Kong) futures
contract | 30 000 net long
or short
contracts for all
contract months
combined | 500 open
contracts for any
one contract
month |
| 31. | Japanese Yen vs
Renminbi (Hong
Kong) futures
contract | 12 000 net long
or short
contracts for all
contract months
combined | 500 open
contracts for any
one contract
month”. |

**11. Schedule 2 amended (prescribed limit and reporting level for
stock options contracts)**

Schedule 2—

Repeal items 1 and 2

Substitute

- | | | |
|--|--|--|
| “1. Stock options contract on shares listed on a stock market operated by the Stock Exchange Company | 250 000 open contracts per option class in any one market direction for all expiry months combined | 1 000 open contracts per option class per expiry month |
| 2. Stock options contract on shares or units of exchange traded funds | 250 000 open contracts per option class in any one market direction for all expiry months combined | 1 000 open contracts per option class per expiry month”. |

Julia LEUNG
Chief Executive Officer,
Securities and Futures Commission

18 October 2023

Explanatory Note

The main object of these Rules is to amend the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571 sub. leg. Y) (*principal Rules*) by imposing reporting requirements for holiday contracts, providing for the application of prescribed limits and reporting requirements in respect of funds, providing for the authorization of certain clearing participants to hold or control contracts in excess of the prescribed limits, and setting prescribed limits and reporting levels for certain futures contracts and stock options contracts.

2. Section 3 amends section 2 of the principal Rules to amend, repeal, substitute and add various definitions used in the principal Rules.
3. Section 4(1) of the principal Rules prohibits a person (subject to exceptions in section 4(2) and (3) of the principal Rules) from holding or controlling futures contracts or stock options contracts in excess of the prescribed limit. Section 4 of these Rules adds a note to section 4(1) of the principal Rules to guide the reader to the new section 7A of the principal Rules for compliance with this requirement by certain persons holding or controlling contracts in respect of funds. Section 4 of these Rules also adds references to the new section 4F of the principal Rules to section 4(3), (4) and (5) of the principal Rules so that, under section 4(3) of the principal Rules, a person may hold or control futures contracts or stock options contracts in excess of the statutory prescribed limit if the person is authorized by the Securities and Futures Commission (*Commission*) to do so under the new section 4F, subject to the ambit set out in section 4(4) and (5) of the principal Rules.

4. Section 5 amends section 4A of the principal Rules to provide that a clearing participant of HKFECC or SEOCH who clears futures contracts or stock options contracts for a person who is specified in section 4A(a), (b), (c) or (d) of the principal Rules and is 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 may apply for authorization for the purposes of section 4(2) of the principal Rules to hold or control futures contracts or stock options contracts in excess of the prescribed limit.
5. Section 6 adds new section 4F to the principal Rules. The new section 4F sets out the Commission's power to authorize, subject to certain criteria, a clearing participant to hold or control specified contracts that it clears for persons that have been authorized by the Commission to hold or control specified contracts in excess of the prescribed limit under section 4C, 4D or 4E of the principal Rules.
6. Section 6(1) of the principal Rules requires a person who holds or controls a reportable position to notify the recognized exchange company concerned within a specified period. Section 7 adds a note to section 6(1) of the principal Rules to guide the reader to the new section 7A of the principal Rules for compliance with this requirement by certain persons holding or controlling contracts in respect of funds. Section 7 also amends section 6 of the principal Rules to provide for the reporting requirement in respect of holiday contracts and to clarify the information that must accompany a notice of a reportable position. Definitions of *holiday contract* and *holiday contract trading day* which are used in the new section 6(1A) of the principal Rules are added.

7. Section 8 adds new section 7(4) and (5) to the principal Rules. The new section 7(4) provides that a clearing participant of HKFECC or SEOCH is not to be regarded as having discretion in relation to contracts the clearing participant holds or controls for another person if its power to acquire or dispose of those contracts may only be exercised in the event of the other person's default in meeting a contractual obligation. The new section 7(5) disapplies section 7 of the principal Rules from futures contracts or stock options contracts held or controlled by a person in respect of funds as the requirements relating to prescribed limits and reportable positions in respect of funds are provided by the new section 7A of the principal Rules.
8. Section 9 adds new section 7A to the principal Rules. The new section 7A sets out how the prescribed limits and reporting levels apply to a person holding or controlling futures contracts or stock options contracts in respect of funds as well as sub-funds of umbrella funds. The new section 7A also sets out the information that must accompany a notice of a reportable position.
9. Section 10 amends Schedule 1 to the principal Rules to—
 - (a) add or remove certain futures contracts;
 - (b) standardize the description of certain stock index futures contracts, stock index options contracts and stock index futures options contract, and set out the respective prescribed limits and reporting levels of such contracts in a generic way to cover contracts with different contract periods or contract multipliers; and
 - (c) revise the prescribed limits for certain futures contracts.

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Explanatory Note
Paragraph 10

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10. Section 11 amends Schedule 2 to the principal Rules to increase the prescribed limits for stock options contracts.