

Detailed Trading Rules of China Financial Futures Exchange for Equity Index Options Contract

(Adopted on December 14, 2019; first amended on July 18, 2022;

second amended on December 14, 2022)

Chapter I General Provisions

Article 1 These Detailed Trading Rules are formulated in accordance with the *Trading Rules of China Financial Futures Exchange* and its detailed implementation rules for the purpose of regulating the trading of equity index options contracts (“Contracts”) on China Financial Futures Exchange (the “Exchange”).

Article 2 The Exchange, members, clients, Depository Banks, and other market participants shall comply with these Detailed Trading Rules.

Article 3 Any matter not provided for herein shall be governed by other applicable rules of the Exchange.

Chapter II Contract

Article 4 Equity index options contracts refers to options contracts with equity index as the underlying.

The underlying index of the CSI 300 index options contracts is the CSI 300 Index compiled and released by China Securities Index Co., Ltd.

The underlying index of the CSI 1000 index options contracts is the CSI 1000 Index compiled and released by China Securities Index Co., Ltd.

The underlying index of the SSE 50 index options contracts is the SSE 50 Index compiled and released by Shanghai Stock Exchange.

Article 5 The contract multiplier of the CSI 300 index options contract, CSI 1000 index options contract, and SSE 50 index options contract is RMB 100 per index point.

Article 6 The Contracts are classified into call option contracts (“calls”) and put option contracts (“puts”).

Article 7 The Contracts shall be quoted in index points.

Article 8 The tick size of the CSI 300 index options contract, CSI 1000 index options contract, and SSE 50 index options contract is 0.2 index points.

Article 9 The contract months of the Contracts shall be the current month, the next two

months, and the subsequent three quarterly months of the March, June, September and December cycle.

Article 10 Strike prices of the Contracts shall cover $\pm 10\%$ of the closing price of the underlying index on the preceding trading day.

For CSI 300 index options contracts, CSI 1000 index options contracts, and SSE 50 index options contracts of the current month and the next two months: the strike price interval is 25 index points if the strike price (SP) $\leq 2,500$ index points; 50 index points if $2,500 < SP \leq 5,000$; 100 index points if $5,000 < SP \leq 10,000$; 200 index points if $SP > 10,000$.

For CSI 300 index options contracts, CSI 1000 index options contracts, and SSE 50 index options contracts of the subsequent three quarterly months: the strike price interval is 50 index points if $SP \leq 2,500$ index points; 100 index points if $2,500 < SP \leq 5,000$; 200 index points if $5,000 < SP \leq 10,000$; 400 index points if $SP > 10,000$.

The Exchange may adjust the strike price interval in view of market conditions.

Article 11 The Contracts are European-style options which a buyer may only exercise on the expiration date. Thus, the exercise date shall be the same day as the expiration date.

Article 12 The last trading day of a Contract shall be the third Friday of its contract month. Where the last trading day is a public holiday or trading of a Contract is suspended on that day for extraordinary situations or other reasons, the last trading day shall be postponed to the following trading day.

Article 13 The expiration date of the Contract shall be the same day as its last trading day.

Article 14 The Contracts are cash-settled.

Article 15 The product code of a CSI 300 index options contract shall be “IO contract month-C-strike price” for call and “IO contract month-P-strike price” for put.

The product code of a CSI 1000 index options contract shall be “MO contract month-C-strike price” for call and “MO contract month-P-strike price” for put.

The product code of an SSE 50 index options contract shall be “HO contract month-C-strike price” for call and “HO contract month-P-strike price” for put.

Chapter III Trading

Article 16 The types of orders for the Contracts include limit orders and such other orders as the Exchange may specify.

A limit order can be additionally designated as “fill-or-kill” (FOK) or “fill-and-kill” (FAK).

Article 17 The Contracts are traded through call auctions and continuous trading.

The opening auction runs from 9:25 a.m. to 9:30 a.m. on each trading day. Orders shall be submitted between 9:25 a.m. and 9:29 a.m. and matched between 9:29 a.m. and 9:30 a.m.

Continuous trading runs from 9:30 a.m. to 11:30 a.m. (first session) and from 1:00 p.m. to 2:57 p.m. (second session) on each trading day.

The closing auction runs from 2:57 p.m. to 3:00 p.m. on each trading day.

Article 18 The Exchange shall determine the Contracts to be listed for trading on the next trading day based on the following principles:

(1) the Exchange shall list new Contracts based on the rules after a current month Contract expires;

(2) after market close on each trading day, the Exchange shall list new Contracts at the applicable strike price intervals to ensure that the strike prices of the next trading day cover $\pm 10\%$ of the closing price of the underlying index; and

(3) the listing benchmark price of a newly listed Contract shall be determined and announced in advance by the Exchange.

The Exchange shall have the right to list new Contracts based on market conditions.

Article 19 A member or client may apply for the netting of long and short positions it holds in a Contract under the same trading code. The netted amount shall be included in the trading volume and excluded from the open interest of the Contract on that day. The relevant methods shall be announced separately by the Exchange.

Article 20 A client may request for quotes from market makers for such Contracts and at such frequency as the Exchange may determine and announce. The Exchange may adjust the rules of request for quotes based on market conditions.

Members shall supervise their clients' request for quotes and require them to make reasonable requests.

Chapter IV Clearing

Article 21 The settlement price of a Contract on a given trading day other than the last trading day is the Contract's execution price from the closing auction. If no execution price has been established by the closing auction or if the execution price is obviously unreasonable, the Exchange shall have the right to determine the settlement price for that day.

The exercise-settlement price on the last trading day shall be determined as follows:

(1) for a call, the exercise-settlement price shall be the difference between its final settlement price and its strike price if the former is higher than the latter, and zero if otherwise;

(2) for a put, the exercise-settlement price shall be the difference between its strike price and final settlement price if the former is higher than the latter, and zero if otherwise.

Article 22 The final settlement price of the Contract is the arithmetic average price of the underlying index during the last two trading hours on the last trading day, rounded to two decimal places.

Article 23 At daily settlement, the trading margin to be paid by a seller shall be as follows:

Trading margin for each call = (settlement price of the Contract \times contract multiplier) + max (current day's closing price of the underlying index \times contract multiplier \times margin adjustment factor of the Contract – out-of-the-money amount, minimum safety factor \times current day's closing price of the underlying index \times contract multiplier \times margin adjustment factor of the Contract);

Trading margin for each put = (settlement price of the Contract \times contract multiplier) + max (current day's closing price of the underlying index \times contract multiplier \times margin adjustment factor of the Contract – out-of-the-money amount, minimum safety factor \times strike price of the Contract \times contract multiplier \times margin adjustment factor of the Contract);

The margin adjustment factor and minimum safety factor for Contracts shall be separately specified by the Exchange. The out-of-the-money amount of a call is: max [(strike price of the Contract – current day's closing price of the underlying index) \times contract multiplier, 0]; the out-of-the-money amount of a put is: max [(current day's closing price of the underlying index – strike price of the Contract) \times contract multiplier, 0].

Article 24 When a seller opens a position in a Contract, the Exchange collects trading margin from the seller based on the Contract's margin standard as at the time of settlement on the preceding trading day; when a seller closes a position in a Contract, the Exchange releases the corresponding trading margin.

Article 25 Fee standards for the Contract shall be separately specified by the Exchange.

Chapter V Exercise and Assignment

Article 26 Long and short positions in a Contract held by a member or client under the same trading code shall be netted before exercise or assignment.

Article 27 At the time of settlement on the expiration date of a Contract, the Exchange automatically exercises a buyer's positions that meet the following conditions:

(1) If the buyer has submitted to the Exchange an exercise minimum profit amount and the Contract's in-the-money amount is larger than the higher of the exercise minimum profit amount specified by the buyer and the exercise (assignment) fee specified by the Exchange;

(2) If the buyer has *not* submitted to the Exchange an exercise minimum profit amount and the Contract's in-the-money amount is larger than the exercise (assignment) fee specified by the

Exchange.

A buyer's positions that do not meet the foregoing conditions shall be deemed as abandonment of exercise.

The in-the-money amount of a Contract is the product of the exercise-settlement price and the contract multiplier.

Article 28 A buyer of a Contract may submit an exercise minimum profit amount to the Exchange between 9:30 a.m. and 3:15 p.m. on the expiration date.

Article 29 The Exchange shall assign positions to be exercised of buyers to the positions of sellers on a pro-rata basis.

Article 30 Exercise of the Contracts shall result in cash settlement based on the exercise-settlement price on the expiration date and the corresponding positions shall be closed out.

Article 31 Profit or loss from option exercises = Σ (exercise-settlement price \times long calls exercised \times contract multiplier) + Σ (exercise-settlement price \times long puts exercised \times contract multiplier) – Σ (exercise-settlement price \times short calls assigned \times contract multiplier) – Σ (exercise-settlement price \times short puts assigned \times contract multiplier).

Profit or loss from exercise is factored in the current day's profit or loss.

Chapter VI Risk Management

Article 32 The limit up/limit down of the Contract is $\pm 10\%$ of the closing price of the underlying index on the preceding trading day. The specific limit up/limit down price shall be calculated as follows:

(1) On the listing day: limit up/limit down price = listing benchmark price $\pm 10\%$ of the closing price of the underlying index on the preceding trading day;

(2) On days other than the listing day: limit up/limit down price = settlement price of the preceding trading day $\pm 10\%$ of the closing price of the underlying index on the preceding trading day.

If the limit down price calculated above is smaller than the tick size, then the limit down price shall be the tick size.

Article 33 Position limit of the Contract refers to the maximum position (long or short) that may be held by a member or client in a monthly Contract as prescribed by the Exchange.

The "long" positions of the monthly Contract shall be the sum of long positions in call options and short positions in put options; the "short" positions of the monthly Contract shall be the sum of short position in call options and long position in put options.

The position limit of the Contract shall be separately prescribed by the Exchange.

Chapter VII Ancillary Provisions

Article 34 For the purpose of these Detailed Trading Rules, the closing price of the underlying index shall be rounded to two decimal places. When the closing price is unavailable, the Exchange shall have the right to determine the closing price.

Article 35 Any violation of these Detailed Trading Rules shall be handled by the Exchange in accordance with the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

Article 36 The Exchange reserves the right to interpret these *Detailed Trading Rules*.

Article 37 These *Detailed Trading Rules* shall come into effect on December 19, 2022.