

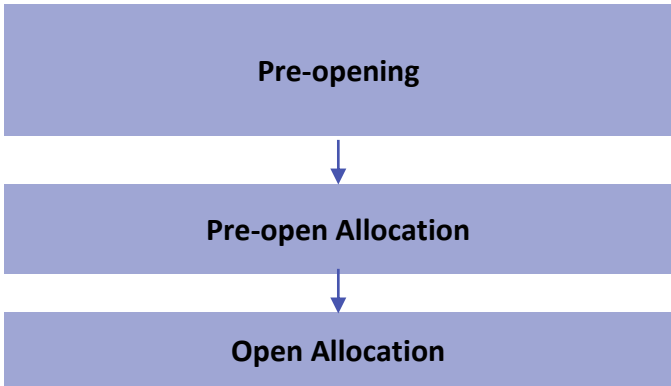
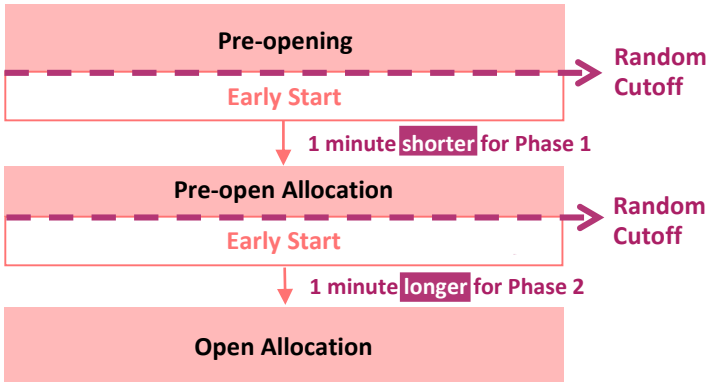


# Enhancements for Volatility Control Mechanism & Pre-Market Opening Session of the Derivatives Market

Dear Valued Customers,

Hong Kong Futures Exchange Limited (“HKFE”) will launch the enhancements of the Volatility Control Mechanism (“VCM”) and Pre-Market Opening Session (“POS”) of the derivatives market on **Monday, 12 April 2021** to better protect market integrity.

The **VCM**<sup>1</sup> was launched in 2017 to protect the market from disorderliness caused by extreme price volatility.

| Current Mechanism   | Enhanced Mechanism  |
|---|---|
| <p>When VCM is in effect, a five-minute cooling-off period will be triggered if the price deviates for more than 5% from the last traded price five minutes ago.</p> <p><b>Only one trigger is allowed per trading session.</b></p>  | <p><b>Multiple triggers per trading session is allowed with no maximum number of triggers imposed.</b></p>  |

As shown in above charts, HKFE will also enhance the **POS** by introducing a **random cutoff mechanism** to the pre-opening session and the pre-open allocation session to deter the possible gaming strategy of manipulating the COP near the end of the auction process and also to encourage order input at an earlier stage. To facilitate the random cutoff, the **pre-opening session will be shortened by one minute** while the **pre-open allocation session will be extended by one minute**. It will be applied to the POS for both morning and afternoon sessions of the applicable markets<sup>2</sup>.

Please visit HKFE website for more details of [VCM](#) and [POS](#). For enquiries, please call our Customer Service Hotline at (852) 2250 8298 (Hong Kong)/400-120-0363 (China Toll Free) or email [customer.service@swwhyhk.com](mailto:customer.service@swwhyhk.com).

## Shenwan Hongyuan Futures (H.K.) Limited

- VCM is currently applied to the spot month and next calendar month contracts in the Hang Seng Index (“HSI”) Futures, Mini-Hang Seng Index (“MHI”) Futures, Hang Seng China Enterprises Index (“HHI”) Futures and Mini-Hang Seng China Enterprises Index (“MCH”) Futures (total 8 contracts).
  - POS is available for the trading of HSI, MHI, HHI and MCH futures contracts, MSCI Taiwan Index related futures contracts and Hang Seng TECH Index futures contracts.
- Before making any investment decision, investors should carefully consider their own circumstances, risk tolerance level, investment experience and investment objectives. If they are in doubt, they should seek independent professional advice.

