

This product sheet is for the purpose of providing guidance to structured products issuers on general product terms. Structured products issuers should consult the Exchange if terms of structured products deviate from the requirements set out in this product sheet. Investors should refer to the actual terms of the products set out in listing documents in considering their investment decision.

## Inline Warrant (IW)

### General Product Terms

An IW entitles the investors to receive a pre-determined fixed payment at expiry, depending on whether the underlying price / level falls at or within (i.e. In-The-Range) or outside (i.e. Out-of-The-Range) the upper and lower strikes at expiry.

Product Terms	
<b>Product class</b>	Leveraged structured product
<b>Style</b>	European <sup>1</sup>
<b>Issue size</b>	Minimum of HK\$10 million in market capitalization
<b>Issue price</b>	(a) Minimum of HK\$0.25 (not applicable to further issue) (b) Minimum of HK\$0.15 for emulation issue
<b>Underlying asset</b>	<p><u>Securities listed on the Exchange</u></p> <p>(a) A company<sup>2</sup> which is among the top 5 stocks with highest turnover value for the previous three-month period and is listed on the Exchange for not less than three months; and</p> <p>(b) A company<sup>2</sup> which has a minimum public float capitalization of HK\$10 billion at end of the period</p> <p><u>Indices</u></p> <p>Hang Seng Index</p> <p>The latest list of eligible underlying<sup>3</sup> is set out in the <a href="#">List of eligible underlying assets</a>.</p>
<b>Strike price / level</b>	Lower strike and upper strike
<b>Expiry date</b>	(a) At least six months and not more than five years (not applicable to further issue) from the date of listing (b) In respect of emulation issue, the tenor should be at least three months and not more than five years

<sup>1</sup> Structured products issuers proposing to issue American-style IW should provide detailed terms and arrangements for the Exchange's consideration.

<sup>2</sup> Excludes an exchange traded fund.

<sup>3</sup> The list is updated quarterly.

Product Terms	
	(c) In respect of using futures contracts for settlement reference, the expiry date should generally be the same as that of futures contracts
<b>Conversion ratio</b>	One
<b>Minimum fixed payment at expiry</b>	HK\$ 0.25
<b>Maximum fixed payment at expiry</b>	HK\$ 1
<b>Board lot</b>	<p><u>Listed securities</u></p> <p>(a) One board lot of the IW is entitled to a whole number of board lots of the underlying security; or</p> <p>(b) One board lot of the IW is entitled to one tenth of a board lot of the underlying security (applicable to cash settlement only)</p> <p><u>Indices</u></p> <p>10,000 IWs</p>
<b>Trading / settlement currency</b>	HKD
<b>Further issue</b>	<p>(a) An issuer may only launch a further issue when it holds no more than 50% of the existing issue; and</p> <p>(b) Terms and conditions of the further issue and existing issue must be identical</p>
<b>Emulation issue</b>	<p>(a) The expiry date may be up to five business days before or after that of an existing emulated IW; and</p> <p>(b) The upper strike and lower strike may differ by no more than one spread in the underlying listed security from that of an existing emulated IW or by no more than 0.5% in other cases</p>
<b>Valuation at expiry</b>	<p><u>Listed securities</u></p> <p>The average of closing prices of the underlying share for the five business days prior to the expiry date</p> <p><u>Indices</u></p> <p>Settlement price of the related futures contracts<sup>4</sup> on the valuation date</p> <p>Note: the valuation date is generally the same as the expiry date, subject to time difference</p>

<sup>4</sup> Refers to the futures contract with the same expiry month as that of the IW.



Product Terms	
<b>Settlement amount at expiry</b>	<p><u>In-The-Range</u> Pre-determined cash amount of HK\$1 if the valuation at expiry is at or falls within the upper strike and lower strike</p> <p><u>Out-of-The-Range</u> Pre-determined cash amount of HK\$0.25 if the valuation at expiry falls outside the upper strike or lower strike</p>
<b>Arrangement upon maturity</b>	Automatic settlement without the need to deliver a notice of exercise (applicable to cash settlement only)
<b>Settlement</b>	Cash settled
<b>Settlement date</b>	Generally no later than the third settlement day after expiry
Liquidity Provision Requirements <sup>5</sup>	
<b>Quote request (“QR”)</b>	<ul style="list-style-type: none"> <li>(a) Maximum bid-ask spread: \$0.08</li> <li>(b) Minimum quotation size: 20 board lots</li> <li>(c) Maximum quote response time: 10 minutes</li> <li>(d) Minimum holding time: five minutes</li> <li>(e) QR applies to all IWs</li> </ul>
<b>Active quote (“AQ”)</b>	<ul style="list-style-type: none"> <li>(a) Maximum bid-ask spread: <ul style="list-style-type: none"> <li>(i) \$0.02 for local index</li> <li>(ii) \$0.04 for actively traded stock<sup>6</sup></li> </ul> </li> <li>(b) Minimum quotation size: 20 board lots</li> <li>(c) AQ only applies to IWs with: <ul style="list-style-type: none"> <li>(i) an actively traded stock or local index as an underlying;</li> <li>(ii) 50% or less of total issue size outstanding in the market;</li> <li>(iii) time to maturity is 30 calendar days or more; and</li> <li>(iv) when the underlying price / level between the range from 20% below the lower strike price / level and 20% above the upper strike price / level</li> </ul> </li> </ul>

Date: 24 March 2023

<sup>5</sup> See the [Industry Principles on Liquidity Provision for Listed Structured Products](#).

<sup>6</sup> Actively traded stock means securities on the [current list of eligible underlying stocks for CBBC issuance](#).

