

**Rules and Procedures of HKFE Clearing Corporation Limited**

**CHAPTER I**

**INTERPRETATION**

Definitions

101. In these Rules the definitions contained in the Exchange Rules (as hereinafter defined) shall where the context permits be incorporated herein by reference and the following expressions shall, unless the context otherwise requires, bear the following meanings:-

“mandatory intra-day variation adjustment and margin” means the intra-day variation adjustment and Clearing House margin that is required by the Clearing House pursuant to Rule 410C on open Contracts in Markets with a T+1 Session and any other Market with the same or a similar underlying instrument;

“Market close” means the close of trading of the T Session on each Business Day;

“System Input Cutoff Time” means 6:45 p.m. or ~~a such other time after the close of trading from time to time as may be~~ prescribed by the Clearing House as the cutoff time for system input ~~cutoff time after the T Session~~ on each Business Day;

“T Session” has the same meaning as in the Exchange Rules;

“T+1 Session” has the same meaning as in the Exchange Rules;

“T+1 Session Cutoff Time” means 11:45 p.m. or such other time as may be prescribed by the Clearing House as the cutoff time for system input after the T+1 Session (if applicable) on each Business Day;

Exclusions of Liabilities

107. The Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House, do not accept any liability whatsoever, and no claim may be brought against any of them or their respective employees, in respect of any error in, or interruption or suspension of the operation of any system operated by the Clearing House, except in the case of wilful misconduct. In particular, neither the Clearing House, the

Exchange or a recognized exchange controller which is the controller of the Clearing House, nor any person from whom the Clearing House, the Exchange or a recognized exchange controller which is the controller of the Clearing House has obtained a licence, directly or indirectly, in connection with the use of any system operated by the Clearing House shall have any liability in connection with, or arising out of, any ability or inability to use the computer programs involved in the functioning of any system operated by the Clearing House (whether based in contract, tort, misrepresentation, warranty or other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim).

108. The Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House will not be liable to any HKCC Participant or to any other person with respect to any action or omission by them in connection with the operations of any system operated by the Clearing House, the provision of services and facilities available thereunder, and all other matters as contemplated in these Clearing House Rules, except in the case of wilful default.
109. The Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House will not be liable for any action taken or for any failure, hindrance or delay in the provision of services or the performance in whole or in part of their obligations under these Clearing House Rules or under any Contract if such action, failure, hindrance or delay arises out of causes beyond their control. Such causes may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labour disputes, mechanical breakdowns, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by HKCC Participants), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal, and any other causes beyond the control of the Clearing House, the Exchange (whether or not specified in the Exchange Rules) or a recognized exchange controller which is the controller of the Clearing House.
110. Information and statistics provided by the Clearing House including, but not limited to market prices, numbers of Contracts cleared and risk management assumptions, are made available on the understanding that the Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House will not be liable or accountable to any party for that information's suitability or applicability for any use other than for managing or reporting activities internal to the Clearing House.

**CHAPTER IV**

**CLEARING HOUSE MARGIN, VARIATION ADJUSTMENT,  
COVER FOR MARGIN AND ACCOUNTS**

Variation adjustment

408. Except as otherwise prescribed in the Exchange Rules, the Clearing House will, in accordance with the HKCC Rules, calculate variation adjustments in respect of all open Contracts at least once daily.
- (a) At ~~the close of trading (hereafter referred to as~~ “Market close”) on each Business Day, every HKCC Participant is deemed to have closed out each open Contract at a price equal to the Closing Quotation for that Business Day and to have entered into a new Contract at the Closing Quotation which is treated as its carry forward open Contract for the ~~following~~next Business Day. Any profits or losses arising on the deemed closing out each Business Day (except those arising from Physical Delivery Contracts after the last trading day) are treated as realized profits or losses and shall be debited or credited against the HKCC Participant’s CCMS Collateral Account with the Clearing House. Profits and losses arising from Physical Delivery Contracts after the last trading day shall be treated in accordance with the Clearing House Procedures.

Mandatory intra-day variation adjustment and margin

- 410C. (a) Following Market open of the T Session on each Business Day, the Clearing House will, in accordance with the Clearing House Procedures, call for a mandatory intra-day variation adjustment and margin in respect of all open Contracts held by an HKCC Participant immediately before Market open in Markets with a T+1 Session and any other Market whose underlying instrument is the same as or similar to any of the Markets with a T+1 Session.
- (b) HKCC Participants must pay all mandatory intra-day variation adjustment and margin immediately on demand from the Clearing House in accordance with the Clearing House Procedures.
- (c) Failure to comply with any requirement of the Clearing House regarding mandatory intra-day variation adjustment and margin may result in action pursuant to Rule 510 and/or Rule 517.

Additional margin and intra-day variation adjustment

411. (a) If according to any intra-day assessment of the liabilities arising from the open Contracts of an HKCC Participant, any capital-based position limit imposed on the HKCC Participant in accordance with the Clearing House Procedures is determined by the Clearing House to have been exceeded, or if in the opinion of the Clearing House sudden fluctuations of any Market operated by the Exchange are apparent, the Clearing House may, during the T Session of any Business Day, call for intra-day variation adjustment and/or, in the latter case, additional margin.

**CHAPTER V**

**LIMITS AND DEFAULTS**

Events of default

509. Any of the following events or circumstances shall constitute an event of default upon its occurrence or if the Clearing House in its absolute discretion determines that it has occurred:

- (e) an HKCC Participant fails to comply with any of the following:
  - (iv) margin calls or demands for variation adjustment; mandatory intra-day variation adjustment and margin or intra-day variation adjustment;

**CHAPTER VIII**

**EMERGENCIES**

801. In the event of substantial fluctuations in the markets operated by the Exchange, the Clearing House and the Exchange may jointly require all Exchange Participants and HKCC Participants not to transact or register any new open positions and to close out all their existing open Contracts within a period stipulated by them and for this purpose the Exchange may be open "for liquidation orders only", and only Contracts identified as closing out other Contracts will be accepted for registration and clearing by the Clearing House.

Suspension of services

801A. If in the opinion of the Clearing House, the functioning of DCASS, CCMS or any other clearing, settlement and collateral management services and facilities it provides under these Rules is or is likely to be impaired by any event or circumstance, the Clearing House may suspend the whole or any part of the operations of such facilities or services available to HKCC Participants for such duration as it sees fit.

The Clearing House may also take such other action as it may deem necessary or appropriate in the interests of the Clearing House and HKCC Participants.

Typhoons and rainstorms

802. ~~Except as otherwise determined by~~Clearing, settlement and collateral management services may be temporarily suspended in accordance with the Clearing House ~~and/or Procedures in the Exchange, the following shall apply:-~~

- ~~(a) Clearing and Settlement Services~~

~~If event that a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning is issued on any Business Day, by the Hong Kong Observatory before 9:00 a.m. and is not lowered or cancelled at 12:00 noon on any Business Day, no clearing and settlement services will be available on that Business Day.~~

~~If a Typhoon Signal No. 8 or above is hoisted on any Business Day during normal working hours, clearing and settlement services will cease or discontinue two hours thereafter.~~

~~If a Black Rainstorm Warning is issued on any Business Day during normal working hours, clearing and settlement services will continue to operate as usual subject to the Clearing House's discretion to suspend, in whole or in part, the availability of clearing and settlement services where particular circumstances warrant such suspension.~~

~~Where, however, a Typhoon Signal No. 8 or a Black Rainstorm Warning is lowered or cancelled at or before 12:00 noon, normal clearing and settlement services will resume two hours thereafter.~~

~~(a) (deleted)~~

~~(b) Money Settlement Services (deleted)~~

~~If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning is issued by the Hong Kong Observatory before 9:00 a.m. and is not lowered or cancelled at 12:00 noon on any Business Day, no money settlement services will be available on that Business Day. In such event, money settlement will be effectuated prior to the resumption of trading on the Exchange on the first Business Day thereafter on which the Exchange is open for business, and will be due for settlement by no later than 9:15 a.m. if the first Business Day is a full Bank Business Day or one hour after resumption of money settlement services if the first Business Day is not a full Bank Business Day. Failure to effectuate money settlement will subject an HKCC Participant to disciplinary action pursuant to Rule 510 and/or Rule 517.~~

~~If a Typhoon Signal No. 8 is lowered or a Black Rainstorm Warning is cancelled at or before 12:00 noon on any Business Day, money settlement services will normally resume two hours later and any amounts demanded from the HKCC Participants by the Clearing House must be settled no later than one hour after the resumption of the money settlement services on that Business Day.~~

~~(c) (deleted)~~

~~(d) Redelivery Requests (deleted)~~

~~If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning is issued by the Hong Kong Observatory before 9:00 a.m. and is~~

~~not lowered or cancelled at 12:00 noon on any Business Day, no requests for redelivery of surplus funds will be accepted on that Business Day.~~

~~If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning is issued on any Business Day prior to the deadline for requests for redelivery of surplus funds (normally 11:00 a.m. on a Business Day), those redelivery requests already submitted will be accepted as usual, subject to the availability of the applicable services of corresponding banks.~~

~~If a Typhoon Signal No. 8 is lowered or a Black Rainstorm Warning is cancelled at or before 12:00 noon on any Business Day, requests for redelivery of surplus funds will be processed on a best effort basis and subject to the availability of the applicable services of corresponding banks.~~

~~The procedures adopted by the Clearing House in relation to typhoons or rainstorms are generally in line with those of the Exchange.~~

## **CLEARING HOUSE PROCEDURES FOR FUTURES/OPTIONS CONTRACTS TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE ("HKATS")**

The Clearing House Procedures below outline the registration, settlement, clearing and margining procedures for the Futures / Options Contracts (in these procedures, referred to as "Contracts") traded on HKATS. These procedures are divided into the following chapters:- Chapter 1 – Registration Procedures; Chapter 2 – Clearing and Settlement Procedures; Chapter 3 – Clearing Documentation; Chapter 4 – Reserve Fund Contribution; ~~and~~ Chapter 5 – Capital-Based Position Limits; and Chapter 6 – Typhoons and Rainstorms.

### **Chapter 1 Registration Procedures**

#### **1.1 Trade Capture and Registration**

Trade details of a Contract executed on HKATS are electronically transmitted from HKATS to the Clearing House once they have been validated, matched and recorded in the Transaction Register of the system. Unless otherwise specified in the Exchange Rules, the Clearing House Rules or these Clearing House Procedures, the Contract will be immediately registered with the Clearing House upon the recording of such Contract in accordance with the Exchange Rules. Notwithstanding the foregoing, any Contract registered with the Clearing House during the T+1 Session on a Business Day shall for the purposes of clearing and settlement, be treated as a trade executed by the relevant HKCC Participant on the next Business Day, unless otherwise specified in the Clearing House Rules or these Clearing House Procedures.

## 1.2 Types of Clearing Accounts in DCASS

HKCC Participants shall duly complete and submit to the Clearing House ~~Form A~~the “DCASS Account Maintenance Form” ~~(see Appendix III for a sample of this form)~~set forth in the DCASS Terminal User Guide for the opening, maintenance and termination of accounts. The Clearing House may in its absolute discretion accept or reject any account opening and maintenance request.

## 1.4 Trade and Position Adjustment ~~Procedures~~

### 1.4.1 ~~Trade Adjustment~~ *Trade Adjustment* ~~prior to the System Input Cutoff Time~~

The types of trade adjustment available to an HKCC Participant include (1) internal trade transfer between different accounts of the HKCC Participant, (2) external trade transfer from an account of the HKCC Participant to an account of another HKCC Participant, (3) separation of a trade into smaller trades, (4) trade open/close adjustment and (5) grouping of separate trades into an average price trade. ~~An~~Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit trade adjustment ~~requests~~ to the Clearing House using DCASS ~~at any time prior to the System Input Cutoff Time on the~~.

~~For trades executed during the T Session on a Business Day the relevant, trade is executed or, for trade adjustments other than those involving the grouping of separate trades into an average price trade, adjustment requests may be submitted~~ at any time prior to the System Input Cutoff Time on the same Business Day ~~immediately following or, except for requests relating to the grouping of separate trades into an average price trade, at any time prior to the System Input Cutoff Time on the next Business Day. For trades executed during the day of trade T+1 Session on a Business Day, trade adjustment requests may be submitted at any time prior to the System Input Cutoff Time on the next Business Day.~~

An HKCC Participant may also submit external trade transfer requests on HKATS at the time the orders are entered on HKATS. Regardless of whether the requests for external trade transfer ~~is~~are submitted through HKATS or DCASS, ~~the any~~ transfer submitted must be confirmed by the receiving HKCC Participant on DCASS prior to the next System Input Cutoff Time ~~on the same Business Day the request is submitted~~. Any trade, the external transfer of which is not confirmed or rejected by the receiving HKCC Participant on DCASS will remain as a trade of the transferring HKCC Participant.

### 1.4.3 *Position Adjustment*

The types of position adjustment available to an HKCC Participant include (1) position closing and re-opening (as more particularly described in section 1.5 below), (2) internal position transfer between different accounts of the HKCC Participant, (3) external position

transfer from an account of the HKCC Participant to an account of another HKCC Participant and (4) position netting within an account. Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit position adjustment requests to the Clearing House using DCASS.

An HKCC Participant may ~~directly~~ submit position adjustment requests to the Clearing House ~~using DCASS~~ at any time prior to the System Input Cutoff Time on a Business Day and, if the T+1 Session is applicable to an Exchange Contract, position adjustment requests in respect of positions in such Exchange Contract and any other Exchange Contract which is specified in its Contract Specifications to be fungible to such Exchange Contract may also be submitted from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time on the same Business Day, except for requests relating to:

- (i) position closing between option series of Flexible Options and standard series which have the same underlying commodity with the same option type, Strike Price and Expiry Day (“position closing between Flexible and standard Option series”); and
- (ii) external position transfers; ~~and,~~

~~(iii) position re-opening~~

which must be ~~submitted~~ made by the HKCC Participant ~~by~~ completing and ~~signing~~ submitting to the ~~prescribed Form 4~~ Clearing House (i) the “On-Behalf Internal Position Adjustment Request Form” for position closing between Flexible and standard Option series, Form 5; or (ii) the “External Position Transfer Request Form” for external position transfers and Form 6 “Annulment of Position Netting Request Form” for position re-opening set forth in ~~Appendices II-1, II-2 and II-3 to these Clearing House Procedures and sending them by facsimile to the DCASS Terminal User Guide no later than such deadlines as may be prescribed by~~ the Clearing House, from time to time and stated in the relevant form.

If the HKCC Participant wishes to have the position adjustment ~~processed on the same Business Day, position adjustment request forms~~ for position closing between Flexible and standard Option series ~~should be received by the Clearing House no later than the System Input Cutoff Time whereas forms for~~ external position transfer and position re-opening should ~~processed on the same Business Day, position adjustment request forms must~~ be received by the Clearing House no later than the System Input Cutoff Time on that Business Day. If the T+1 Session is applicable, position adjustment request forms received by the Clearing House after the System Input Cutoff Time but before the T+1 Session Cutoff Time will be processed by the Clearing House on the same Business Day on a best efforts basis.

With regard to external position transfers, both the transferring and receiving HKCC Participant must ~~sign Form 5~~ duly complete and submit to the Clearing House the “External Position Transfer Request Form” set forth in Appendix II-2 before submitting it to the Clearing House. ~~the DCASS Terminal User Guide.~~ With regard to any request for external position transfer of positions in a Client Offset Claim Account of an HKCC Participant upon the occurrence of an event of default, the transfer must be for all, but not part, of the positions in that account.

## 1.5 Position Closing and Re-opening

Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit position closing and transfer requests to the Clearing House using DCASS.

### 1.5.1 Closing of Positions

Except for position closing between Flexible and standard Option series, position close adjustments only apply to Omnibus Client Accounts as positions in Omnibus Client Accounts are maintained on a gross long and short basis, and HKCC Participants do not need to instruct the Clearing House to close positions in the House, Individual Client and Market Maker Accounts since positions in these accounts are netted automatically after the System Input Cutoff Time on each Business Day.

Except for position closing between Flexible and standard Option series, HKCC Participants wishing to close out positions in the Omnibus Client Account may ~~directly submit position adjustment requests to the Clearing House using DCASS~~ at any time prior to the System Input Cutoff Time on a Business Day and, if the T+1 Session is applicable, from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time on the same Business Day.

### 1.5.2 Re-Opening of *Client Positions* ~~which have been Previously Closed~~

HKCC Participants wishing to re-open ~~previously closed Client~~ positions must duly complete and sign Form 6 ~~submit the “Annulment of Position Netting Request Form” (see Appendix II-3 for a sample of such form) and the completed form must be submitted by facsimile set forth in the DCASS Terminal User Guide~~ to the Clearing House no later than ~~the System Input Cutoff Time on the fifth Business Day after the closing of the positions. Any request submitted later than the System Input Cutoff Time will be rejected~~ such deadline as may be prescribed by the Clearing House ~~and HKCC Participants will be required from time to time to submit the request again on the next Business Day before the System Input Cutoff Time~~ and stated in the form.

#### 1.5.4 Claiming Client Offset Positions

HKCC Participants wishing to claim margin offset for positions in their Omnibus Client Accounts that are of an offset nature must request the Clearing House to open a Client Offset Claim Account for such purpose (please refer to section 1.2). HKCC Participants will have to transfer such eligible positions from the Omnibus Client Account to the Client Offset Claim Account. Positions in each portfolio for offset claim must belong to the same Client. Positions in the Client Offset Claim Account are maintained on a gross basis but margined on a net basis (please refer to section 2.2.6.3). An HKCC Participant may ~~directly~~ submit such position transfer requests to the Clearing House ~~using DCASS~~ at any time prior to the System Input Cutoff Time on a Business Day. and, if the T+1 Session is applicable, from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time on the same Business Day.

All claimed positions in the Client Offset Claim Account will be carried forward to the next Business Day unless otherwise instructed by HKCC Participants. HKCC Participants wishing to adjust the claimed positions in the Client Offset Claim Account may have to effect position transfer between the Client Offset Claim Account and the Omnibus Client Account by submitting such requests to the Clearing House ~~through DCASS~~ at any time prior to the System Input Cutoff Time on the same Business Day or, if the T+1 Session is applicable, from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time on the same Business Day.

#### 1.6 On-behalf-of Processing

In case HKCC Participants cannot access their DCASS terminals due to technical or other reasons for performing post-trade adjustment functions, they may request the Clearing House to input post-trade adjustment requests into DCASS on its behalf by completing and submitting ~~by facsimile~~ to the Clearing House the relevant “Request for On-behalf-of Processing Form” set forth in ~~Appendices I to II to the~~ the DCASS Terminal User Guide no later than such deadline as may be prescribed by the Clearing House ~~Procedures before the System Input Cutoff Time~~ from time to time and stated in the form.

## Chapter 2 Clearing and Settlement Procedures

### 2.1 General

~~At~~After the ~~end of~~System Input Cutoff Time on each Business Day, the Clearing House performs the ~~settlement procedures and computes~~clearing process by computing each HKCC Participant's liabilities such as Clearing House margin, variation adjustment and trading fees. The total of these liabilities are then compared to the cash balance in each HKCC Participant's CCMS Collateral Account, and any sums outstanding that are not covered by other collateral will be collected through the Direct Margin Debiting System ("DMDS").

### 2.3 Variation Adjustment

#### 2.3.1 *Futures Contracts*

2.3.1.1 Except for the Closing Quotation of (i) the Mini-Hang Seng Index Futures Contract, which shall be the Closing Quotation set for the Hang Seng Index Futures Contract; (ii) the Mini-Hang Seng China Enterprises Index Futures Contract, which shall be the Closing Quotation set for the Hang Seng China Enterprises Index Futures Contract; and (iii) a Physical Delivery Contract after the last trading day until the day of settlement of that Contract, which shall be determined according to section 2.3.1.2, prices of Futures Contracts entered into during the final two minutes of trading prior to the Market close will normally be used by the Clearing House to determine the Closing Quotation for each Futures Contract. Unless otherwise determined by the Clearing House under special circumstances, the Closing Quotation of a Futures Contract, other than the Mini-Hang Seng Index Futures Contract, Mini-Hang Seng China Enterprises Index Futures Contract and a Physical Delivery Contract after the last trading day to the day of settlement of that Contract, shall be calculated as follows:

- (d) Block Trade prices and prices in the T+1 Session will not be used by the Clearing House in determining the Closing Quotation.

### 2.6 Methods of Providing Cover for Clearing House Margin

The payment of cover for Clearing House margin is operated through the DMDS as referred to in sections 2.7 and 2.8B. Where the Settlement Currency of a Contract is not the same as the Currency of the Contract, Clearing House margin payable on such Contract will be converted by the Clearing House from the Currency of the Contract into the Settlement Currency at the exchange rate determined by the Clearing House from such source and on such basis as it shall

~~consider appropriate~~ as soon as practicable after the Clearing House margin liabilities arose ~~from such source and on such basis as it shall consider appropriate~~. An HKCC Participant may also provide cover for its Clearing House margin liabilities in one or more of the ways set forth below provided that the amount of cash in the Settlement Currency covering the Clearing House margin liability for each CCMS Collateral Account of the HKCC Participant does not fall below the minimum level prescribed by the Clearing House. Normally, an HKCC Participant's margin liabilities will first be satisfied by cash in the Settlement Currency, then cash in any other currency from time to time approved by the Clearing House and then by any non-cash collateral maintained in the HKCC Participant's CCMS Collateral Account, or any other order of application prescribed by the Clearing House from time to time.

## 2.6A Settlement of Liabilities including Outstanding Debit & Variation Adjustment

Subject to section 2.6, all liabilities arising from trades executed in any Market, including outstanding debit and variation adjustments, must be settled by cash in the Settlement Currency. Where the Settlement Currency of any such trade is not the same as the Currency of the Contract, liabilities arising from such trade will be converted by the Clearing House from the Currency of the Contract into the Settlement Currency at the exchange rate determined by the Clearing House ~~as soon as practicable after the liabilities arose~~ from such source and on such basis as it shall consider appropriate. as soon as practicable after the liabilities arose. Any exchange rate risk arising from the conversion will be borne by the HKCC Participant.

## 2.7 Payment of Cover - Direct Margin Debiting System

~~The system will operate according to the following table when~~ When an HKCC Participant's Clearing House margin liability exceeds the amount of cover provided and/or an HKCC Participant has outstanding debit-

### ~~Table for Payment of Cover~~

<del>Trading</del>	<del>the HKCC Participant shall pay such shortfall and any outstanding debit by the next (Hong Kong) Bank Business Day</del>
<del>Payment Day</del>	<del>Payment Day</del>

~~(Monday to Friday Next day (other than a Saturday) on which banks in Hong Kong are open for business\* except public holiday)\* through the Direct Margin Debiting System.~~

<del>Saturday</del>	<del>N.A.</del>
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\* *This applies to each Exchange Contract regardless of whether ~~it~~ there is ~~a~~ trading ~~day~~ available in the market on which the underlying instrument or commodity of the Exchange Contract is traded.*

## 2.8 Intra-day Variation Adjustments

~~If the amount to be debited from the CCMS Collateral Account of the HKCC Participant cannot be fully covered by the surplus funds as shown in that account, the Clearing House will inform the HKCC Participant by phone or by any other means as the Clearing House may consider appropriate and the Funds required to satisfy an intra-day variation adjustment will be collected via the DMDS.~~ HKCC Participants shall ~~forthwith~~ ensure that there are sufficient funds deposited in ~~its relevant~~their DMDS bank accounts~~s~~ for debiting purpose.

~~Funds required to satisfy an intra-day variation adjustment will be collected via the DMDS.~~ Unless otherwise permitted by the Clearing House, all margin calls for intra-day variation adjustments must be settled by cash in the Settlement Currency and must be paid by the HKCC Participant on demand and in any event no later than one hour after ~~notification~~the abovementioned report is issued to the HKCC Participant or such shorter period as may from time to time be prescribed by the Clearing House. Where the Settlement Currency of a Contract is not the same as the Currency of the Contract, intra-day variation adjustment payable on such Contract will be converted by the Clearing House from the Currency of the Contract into the Settlement Currency at the exchange rate determined by the Clearing House from such source and on such basis as it shall consider appropriate as soon as practicable after the intra-day variation adjustment arose ~~from such source and on such basis as it shall consider appropriate~~. Any exchange rate risk arising from the conversion will be borne by the HKCC Participant.

No amount arising from an intra-day variation adjustment made pursuant to an intra-day assessment as mentioned above will be credited to an HKCC Participant. In any other case, for each type of Settlement Currency, where an intra-day variation adjustment is made at or before 12:30 p.m. on any day, any amount to be credited to the HKCC Participant as a result of the intra-day variation adjustment will be made by the Clearing House on the same day except that no payment will be made by the Clearing House (i) if the amount to be credited is HK\$1 million or less or its non-Hong Kong Dollar currency equivalent based on the exchange rate determined by the Clearing House; or (ii) if the ~~amount represents intra-day variation adjustment arising~~credit arises from Physical Delivery Contracts after the last trading day. Any amount to be credited as aforesaid will be made automatically via the DMDS to the DMDS bank account designated by the HKCC Participant. HKCC Participants shall ensure that standing instructions are given to the Clearing House for this purpose.

Notwithstanding the above, in the case of Physical Delivery Contracts after the last trading day, as long as any cover provided by an HKCC Participant under section 2.6 is sufficient to satisfy an intra-day variation adjustment, no funds will be collected via the DMDS. To the extent that cover provided under section 2.6 is insufficient, the shortfall will be collected via the DMDS. Furthermore, no credit arising from intra-day variation adjustment ~~arising from on~~ Physical Delivery Contracts after the last trading day will be ~~credited~~made to any HKCC

Participants as mentioned above, or used to offset any Clearing House margin liabilities of the HKCC Participants.

## 2.8A Special Block Trade Margin

The Clearing House will generate a Special Block Trade Margin report and any Special Block Trade Margin payable by an HKCC Participant will be debited from its relevant DMDS bank account. The HKCC Participant shall ensure that there are sufficient funds deposited in its DMDS bank account for debiting purpose.

~~If the amount to be payable by the HKCC Participant cannot be fully covered by the surplus funds in its CCMS Collateral Account, the Clearing House will inform the HKCC Participant by phone or by any other means as the Clearing House may consider appropriate and the HKCC Participant shall forthwith ensure that there are sufficient funds deposited in its relevant DMDS bank account for debiting purpose.~~

Unless otherwise permitted by the Clearing House, all Special Block Trade Margin must be settled by cash in the Settlement Currency and must be paid by the HKCC Participant on demand and in any event no later than one hour after ~~notification~~the abovementioned report is issued to the HKCC Participant or such shorter period as may from time to time be prescribed by the Clearing House. Where the Settlement Currency of a Contract is not the same as the Currency of the Contract, any Special Block Trade Margin payable on such Contract will be converted by the Clearing House from the Currency of the Contract into the Settlement Currency at the exchange rate determined by the Clearing House ~~as soon as practicable after the Special Block Trade Margin arose~~as soon as practicable after the Special Block Trade Margin arose. Any exchange rate risk arising from the conversion will be borne by the HKCC Participant.

## 2.8B Mandatory Intra-day Variation Adjustment and Margin

Following Market open of T Session on each Business Day, the Clearing House will, unless otherwise determined by the Clearing House, call for mandatory intra-day variation adjustment and margin in respect of all open Contracts, including those traded in the preceding T+1 Session, held by an HKCC Participant immediately before Market open in Markets with a T+1 Session and any other Market whose underlying instrument is the same as or similar to the underlying instrument of any such Markets. HKCC Participants are advised to complete all their post-trade adjustments under sections 1.4 and 1.5 for trades executed in the preceding T+1 Session thirty minutes before Market open of the T Session. Any post-trade adjustments executed thereafter may not be incorporated in the mandatory intra-day variation adjustment and margin calculation.

The amount of cover required to satisfy any call for mandatory intra-day variation adjustment and margin will be determined in accordance with the methodology set forth in section 2.5. The Clearing House will generate a report to each HKCC Participant, which will set forth the amounts of the intra-day

variation adjustment component of the mandatory intra-day variation adjustment and margin to be debited from or credited to the relevant CCMS Collateral Account of the HKCC Participant and the amount of liability for the Clearing House margin component for each CCMS Collateral Account of the HKCC Participant.

Funds required to satisfy a mandatory intra-day variation adjustment and margin will be collected via the DMDS. HKCC Participants shall ensure that there are sufficient funds deposited in their DMDS bank accounts for debiting purpose. Unless otherwise permitted by the Clearing House, all margin calls for mandatory intra-day variation adjustment and margin must be settled by cash in the Settlement Currency and must be paid by the HKCC Participant on demand and in any event no later than two hours after the abovementioned report is issued to the HKCC Participant or such shorter period as may from time to time be prescribed by the Clearing House. Where the Settlement Currency of a Contract is not the same as the Currency of the Contract, mandatory intra-day variation adjustment and margin payable on such Contract will be converted by the Clearing House from the Currency of the Contract into the Settlement Currency at the exchange rate determined by the Clearing House from such source and on such basis as it shall consider appropriate as soon as practicable after the mandatory intra-day variation adjustment and margin arose. Any exchange rate risk arising from the conversion will be borne by the HKCC Participant.

For each type of Settlement Currency, any amount of intra-day variation adjustment to be credited to the HKCC Participant, after deducting the additional cover required for Clearing House margin if any, as a result of the mandatory intra-day variation adjustment and margin at or before 12:30 p.m. will be made by the Clearing House on the same day except that no payment will be made by the Clearing House (i) if the amount to be credited, after deducting the additional cover required for Clearing House margin if any, is HK\$1 million or less or its non-Hong Kong Dollar currency equivalent based on the exchange rate determined by the Clearing House; or (ii) if the credit arises from Physical Delivery Contracts after the last trading day. Any amount to be credited as aforesaid will be made automatically via the DMDS to the DMDS bank account designated by the HKCC Participant. HKCC Participants shall ensure that standing instructions are given to the Clearing House for this purpose.

Notwithstanding the above, in the case of Physical Delivery Contracts after the last trading day, as long as any cover provided by an HKCC Participant under section 2.6 is sufficient to satisfy a mandatory intra-day variation adjustment and margin, no funds will be collected via the DMDS. To the extent that cover provided under section 2.6 is insufficient, the shortfall will be collected via the DMDS. Furthermore, no credit arising from mandatory intra-day variation adjustment and margin calls on Physical Delivery Contracts after the last trading day will be made to any HKCC Participant as mentioned above, or used to offset any Clearing House margin liabilities of the HKCC Participant.

## Chapter 4 Reserve Fund Contribution

Pursuant to HKCC Rules, each HKCC Participant is also required to pay by way of HKCC Participant Additional Deposits such amounts as the Clearing House may from time to time determine to be necessary in response to market fluctuations and increased risk exposures. For the purpose of determining the HKCC Participant Additional Deposit or any other amount payable by an HKCC Participant in respect of the Reserve Fund, positions of the HKCC Participant arising from the T+1 Session on a Business Day will be incorporated in the determination on the next Business Day, unless otherwise determined by the Clearing House.

## Chapter 5 Capital-Based Position Limits

### 5.1 Position Limits Prescribed by the Clearing House

Notification of an HKCC Participant's initial Liquid Capital apportionment or any change thereof shall be made by such HKCC Participant submitting to the Clearing House by facsimile an "Application/Change Request for Liquid Capital Apportionment Form 11" according to the schedule determined by the Clearing House from time to time. Any notification of changes to the apportionment received by the Clearing House before a time specified by the Clearing House from time to time, shall become effective on the same ~~trading day~~Business Day the notification is received by the Clearing House. Otherwise, changes to the apportionment shall become effective on the commencement of the T Session of the next trading day~~Business Day~~ following receipt of the notification by the Clearing House. Notwithstanding the foregoing, the Clearing House reserves the right to accept or reject any initial apportionment or change of apportionment notified to it at its sole discretion. If no apportionment is notified to the Clearing House, the Clearing House reserves the right to apportion the Liquid Capital on behalf of the HKCC Participant.

For the purpose of calculating the gross ~~limit~~margin liabilities of an HKCC Participant, since positions in the House, MM, Individual Client and Client Offset Claim Accounts are margined on a net basis, the net margin liabilities (please refer to sections 2.2.1 to 2.2.5) of these clearing accounts will be used in calculating the gross limits of HKCC Participants.

For the purpose of calculating the net ~~limit~~margin liabilities of an HKCC Participant, positions in each of its Individual Client Accounts will be aggregated with positions in its Omnibus Client Account and Client Offset Claim Account and margined together on a net basis to determine the net margin liabilities of its Client Accounts, and positions of an HKCC Participant's Sink Account will be margined together on a net basis to determine the net margin liabilities of its Sink Account.

Unless otherwise determined by the Clearing House, positions of an HKCC Participant arising from the T+1 Session on a Business Day will be incorporated in its position limit calculations on the next Business Day.

## 5.2 Extension of Position Limits

Based on the gross and net margin liabilities calculated by the Clearing House at the end of the T Session of each Business Day, if the gross and/or net position limit of an HKCC Participant are/is exceeded, the HKCC Participant must take remedial action by increasing its Liquid Capital and/or arranging bank guarantee(s). The remedial action must be taken

- within 10 Business Days if the HKCC Participant pays or delivers to the Clearing House an additional margin equivalent to 25% of whichever is the higher of:
  - its gross margin liability in excess of its gross position limit; or
  - its net margin liability in excess of its net position limit; or
- immediately in any other case.

Upon the expiry of the applicable time period, the HKCC Participant must, or failing which the Clearing House may, close out, hedge or transfer to any other HKCC Participant or HKCC Participants all positions in excess of the position limit.

## 5.3 T+1 Session Position Limit

The Clearing House will regularly monitor the net margin liabilities against the net position limit of all clearing accounts of each HKCC Participant during the T+1 Session. Unless otherwise determined by the Clearing House, the net position limit of the T+1 Session shall be calculated as follows:

Net Limit = 3 x (Liquid Capital + Bank Guarantee)

(i.e., 3 x (Liquid Capital + Bank Guarantee)  
≥ the sum of the net margin liabilities of the House,  
Client, Sink and MM Accounts; or

Liquid Capital + Bank Guarantee  
≥ 33.3% x the sum of the net margin liabilities of  
the House, Client, Sink and MM Accounts)

The net margin liabilities of all contracts will be measured in Hong Kong dollars or the equivalent based on the exchange rate determined by the Clearing House for each type of currency.

For the purpose of calculating the net margin liabilities of an HKCC Participant during the T+1 Session, positions in each of its Individual Client Accounts will be aggregated with positions in its Omnibus Client Account and Client Offset

Claim Account and margined together on a net basis to determine the net margin liabilities of its Client Accounts, and positions of an HKCC Participant's Sink Account will be margined together on a net basis to determine the net margin liabilities of its Sink Account.

For the purpose of calculating the net limit of an HKCC Participant, the Liquid Capital shall be upward adjusted by the cash contribution to its HKCC Participant's Deposit and HKCC Participant Additional Deposit as of the date of its latest monthly return filed with the Commission under the Financial Resources Rules and received by the Clearing House from the Commission.

Based on the net margin liabilities calculated during the T+1 Session, if the net position limit is exceeded, an HKCC Participant must, or failing which the Clearing House may, close out, hedge or transfer to any other HKCC Participant or HKCC Participants all positions in excess of the net position limit.

#### 5.4 Extension of T+1 Session Position Limit

The T+1 Session net position limit of an HKCC Participant can be extended by arranging an advance margin deposit with the Clearing House before the commencement of the T+1 Session or any other time specified by the Clearing House from time to time on each Business Day. The sum of the net margin liabilities for the purpose of monitoring against the net position limit during the T+1 Session will be adjusted by such advance margin deposit and any additional margin made pursuant to section 5.2 as follows:

Adjusted sum of the net margin liabilities  
≡ sum of the net margin liabilities –  
4 x (advance margin deposit + additional margin pursuant to section 5.2)

## **Chapter 6 Typhoons and Rainstorms**

Except as otherwise determined by the Clearing House or the Exchange (which shall have the discretion to suspend or terminate any clearing, money settlement or collateral management of the Clearing House for such period and on such terms as it may specify), the following procedures shall apply when a Typhoon Signal No. 8 or above is hoisted or lowered or when a Black Rainstorm Warning is issued or cancelled on any Business Day by the Hong Kong Observatory.

### 6.1 Clearing Services

#### 6.1.1 Typhoons

If a Typhoon Signal No. 8 or above is hoisted before clearing services under DCASS are available and is lowered at or before 12:00 noon on any Business Day, such services will resume two hours thereafter and continue to be available in accordance with their normal services hours.

If a Typhoon Signal No. 8 or above is hoisted before clearing services under DCASS are available and is not lowered at 12:00 noon on any Business Day, such services will resume two hours from 12:00 noon and cease at the System Input Cutoff Time.

If a Typhoon Signal No. 8 or above is hoisted after clearing services under DCASS are available and is lowered at or before 12:00 noon on any Business Day, such services will continue to be available in accordance with their normal services hours.

If a Typhoon Signal No. 8 or above is hoisted after clearing services under DCASS are available and is not lowered at 12:00 noon on any Business Day, such services will continue to be available within two hours after the hoisting of the Signal but will cease thereafter.

If a Typhoon Signal No. 8 or above is hoisted after 12:00 noon on any Business Day, clearing services under DCASS will continue to be available until two hours after the hoisting of the Signal or the end of its normal services hours, whichever is earlier.

#### 6.1.2 Rainstorms

If a Black Rainstorm Warning is issued before clearing services under DCASS are available and is cancelled at or before 12:00 noon on any Business Day, such services will resume two hours thereafter and continue to be available in accordance with their normal services hours.

If a Black Rainstorm Warning is issued before clearing services under DCASS are available and is not cancelled at 12:00 noon on any Business Day, such services will resume two hours from 12:00 noon and cease at the System Input Cutoff Time.

If a Black Rainstorm Warning is issued after clearing services under DCASS are available and is cancelled at or before 12:00 noon on any Business Day, such services will continue to be available in accordance with their normal services hours.

If a Black Rainstorm Warning is issued after clearing services under DCASS are available on any Business Day, such services will continue to be available. If T+1 Session of any Market is available on that day, clearing services under DCASS will cease at the T+1 Session Cutoff Time. Otherwise, clearing services under DCASS will cease at the System Input Cutoff Time.

Notwithstanding 6.1.1 and 6.1.2 above, the Clearing House will continue to perform the daily clearing process and compute each HKCC Participant's liabilities as stated in section 2.1.

## 6.2 Money Settlement Services

### 6.2.1 Typhoons

If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. and is not lowered at 12:00 noon on any Business Day, money settlement services will not be available for the day. In such event, money settlement will be effected prior to the resumption of trading on the Exchange on the next Business Day the Exchange is open for business, and will be due for settlement by no later than 9:15 a.m. if such Business Day is a full Bank Business Day or one hour after resumption of money settlement services if such Business Day is not a full Bank Business Day.

If a Typhoon Signal No. 8 is lowered at or before 12:00 noon on any Business Day, money settlement services will normally resume in two hours and any amounts demanded from HKCC Participants by the Clearing House must be settled no later than one hour after the resumption of the money settlement services on that Business Day.

If a Typhoon Signal No. 8 or above is hoisted at or after 9:00 a.m., HKCC Participants' outstanding amounts due for settlement according to the normal schedule set forth in Chapter 2 shall be settled by HKCC Participants. Money settlement services will cease two hours after the hoisting of the Signal.

### 6.2.2 Rainstorms

If a Black Rainstorm Warning is issued before 9:00 a.m. and is not cancelled at 12:00 noon on any Business Day, money settlement services will not be available for the day. In such event, money settlement will be effected prior to the resumption of trading on the Exchange on the next Business Day the Exchange is open for business, and will be due for settlement by no later than 9:15 a.m. if such Business Day is a full Bank Business Day or one hour after resumption of money settlement services if such Business Day is not a full Bank Business Day.

If a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on any Business Day, money settlement services will normally resume in two hours and any amounts demanded from HKCC Participants by the Clearing House must be settled no later than one hour after the resumption of the money settlement services on that Business Day.

If a Black Rainstorm Warning is issued at or after 9:00 a.m., HKCC Participants' outstanding amounts due for settlement according to the normal schedule set forth in Chapter 2 shall continue to be settled by HKCC Participants. Money settlement services will continue to be available in accordance with their normal services hours.

Notwithstanding 6.2.1 and 6.2.2 above, money settlement services of the Clearing House, which are dependent on the availability of banking services in Hong Kong, will not be available if the banking services in Hong Kong become unavailable in case of typhoon or rainstorm situations. If the banking services in Hong Kong remain unavailable for any Business Day, each Designated Bank, Approved Settlement Bank and Prime Settlement Bank will, upon resumption of such banking services on the next Business Day, debit the amounts due from HKCC Participants according to Chapter 2. HKCC Participants must ensure that their bank accounts have sufficient funds to fulfill their money settlement obligations. Failure to do so will subject an HKCC Participant to disciplinary action pursuant to Rule 510 and/or Rule 517.

### 6.3 Collateral Management Services

The procedures below are applicable to collateral management services provided via CCMS, whereas money settlement services are dealt with in accordance with section 6.2.

#### 6.3.1 Typhoons

If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. and is lowered at or before 12:00 noon on any Business Day, collateral management services via CCMS will resume two hours thereafter, while requests for redelivery of surplus funds will be processed on a best efforts basis subject to the availability of the applicable services of corresponding banks.

If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. and is not lowered at 12:00 noon on any Business Day, collateral management services via CCMS will not be available on that day.

If a Typhoon Signal No. 8 or above is hoisted at or after 9:00 a.m. but prior to the deadline for requests for redelivery of surplus funds (normally 11:00 a.m.) on any Business Day, those requests for redelivery of surplus funds already submitted will be accepted as usual, subject to the availability of the applicable services of corresponding banks.

#### 6.3.2 Rainstorms

If a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on any Business Day, collateral management services via CCMS will resume in two hours and requests for redelivery of surplus funds will be processed on a best efforts basis subject to the availability of the applicable services of corresponding banks.

If a Black Rainstorm Warning is issued before 9:00 a.m. and is not cancelled at 12:00 noon on any Business Day, collateral management services via CCMS will not be available on that day.

If a Black Rainstorm Warning is issued at or after 9:00 a.m. on any Business Day, normal collateral management services via CCMS will continue to be available for the day.

Appendix I - deleted

Appendix II - deleted

Appendix III - deleted