

Rules and Procedures of HKFE Clearing Corporation Limited

CLEARING HOUSE PROCEDURES FOR FUTURES/OPTIONS CONTRACTS TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE (“HKATS”)

Chapter 2 Clearing and Settlement Procedures

2.2.7 *Additional Clearing House Margin*

2.2.7.1 An additional Clearing House margin will be imposed on an HKCC Participant in respect of its open Futures and Options Contracts which are based on the same or such similar underlying financial instruments as may be determined by the Clearing House and notified to HKCC Participants from time to time in the event that when assessed by reference to the historical data from each of the realized stressed market conditions and/or hypothetical data for each of the unrealized stressed market conditions as the Clearing House may determine:

- (a) the ~~HKCC Participant’s projected~~ aggregate ~~position delta of loss (less any Clearing House margin) arising from~~ such open Futures and Options Contracts ~~on the same underlying financial instrument with the same directional risk (i.e. either upside or downside risk)~~ registered in the ~~HKCC Participant’s~~ Omnibus Client, Individual Client, Client Offset Claim, Sink, House and Market Maker Accounts (“Net Projected Loss”) of the ~~HKCC Participant with the Clearing House~~ is greater than 30 percent of the total ~~position delta~~ Net Projected Loss of all HKCC Participants ~~with the same directional risk~~; and
- (b) the total ~~net~~ Net Projected Loss of all HKCC Participants arising from such open ~~interest in the~~ Futures and Options Contracts based on the same or similar underlying financial instruments exceeds the following number of contracts:—HK\$500 million.

| | |
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| Futures Contract— | Number of contracts— |
| Exchange Fund Note Futures Contract— | 10,000 on any day prior to the last six trading days and 2,000 during the last six trading days— |
| Three Month HIBOR Futures Contract and— | 4,000— |

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| One Month HIBOR Futures Contract | |
| US Dollar vs Renminbi (Hong Kong) Futures Contract | 20,000 on any day prior to the last five Business Days before the Final Settlement Day and 10,000 during the last five Business Days before the Final Settlement Day |
| All other Futures Contracts | 20,000 |

In addition, the Chairman may impose on the HKCC Participant an additional Clearing House margin on all Futures and Options Contracts registered in the HKCC Participant's account(s) with the Clearing House under other circumstances as he deems appropriate.

2.2.7.2 The additional Clearing House margin to be imposed pursuant to section 2.2.7.1 above shall be 20% a percentage of the otherwise applicable margin requirement based on the following or such other percentage as the Chairman may consider appropriate.:

| <u>Net Projected Loss of the HKCC Participant vs all HKCC Participants</u> | <u>% of applicable margin requirement</u> |
|--|---|
| <u>More than 30% and equal to or less than 40%</u> | <u>20%</u> |
| <u>More than 40% and equal to or less than 50%</u> | <u>25%</u> |
| <u>More than 50% and equal to or less than 60%</u> | <u>30%</u> |
| <u>More than 60% and equal to or less than 80%</u> | <u>40%</u> |
| <u>More than 80%</u> | <u>50%</u> |

Notwithstanding the above, an HKCC Participant accounting for greater than 80% of the total Net Projected Loss is only required to pay 40% (instead of 50%) of the applicable margin requirement during the first five (5) Business Days when such percentage remains greater than 80%. In the event that an HKCC Participant's Net Projected Loss remains at a level greater than 80% of the total Net Projected Loss for six (6) consecutive Business Days or more, the HKCC Participant must pay 50% of the applicable margin requirement as additional Clearing House margin from the sixth (6th) Business Days onwards.

For the avoidance of doubt, if additional Clearing House margin is required under two or more stressed market conditions, the higher or highest (as the case may be) additional Clearing House margin rate shall be imposed.