

Operational Clearing Procedures for Options Trading Exchange Participants

11. RESERVE FUND

11.2.2 Variable Contributions

First, on the Top-up calculation date, SEOCH calculates the daily risk exposure of the Reserve Fund on each Business Day, which is the greater of the upside or downside risk exposure of the Reserve Fund on that day, and Variable Contributions will be recalculated and demanded such that 80% of the existing size of the Reserve Fund after the injection of the Variable Contributions will cover all the risk exposures of the Reserve Fund throughout the most recent 20 Business Days.

11.2.3 Maintenance of the Reserve Fund

Ad hoc recalculation of the Variable Contributions, and associated demands for payment, may be made from time to time separate from the regular monthly calculations, if the daily risk exposure of the Reserve Fund calculated on each Business Day exceeds 80% of the existing Reserve Fund size for two consecutive Business Days or if SEOCH considers it appropriate to do so in any other circumstances. If the ad hoc recalculation is required, Variable Contributions will be recalculated and demanded such that 80% of the existing size of the Reserve Fund after the injection of the Variable Contributions will cover all the risk exposures of the Reserve Fund throughout the most recent 20 Business Days.

Notwithstanding the above or any other provisions of these Procedures, SEOCH may assess the adequacy of the Reserve Fund and recalculate the requirements for Variable Contributions based on the abovementioned formula or on such other basis as SEOCH may consider appropriate at its absolute discretion from time to time and following an event of default, SEOCH may further at its absolute discretion determine the appropriate aggregate value of the Reserve Fund for the purpose of calculating any Variable Contributions required taking into account the estimated loss arising from any actions taken by SEOCH in respect of such event of default under Chapter 7 of the Clearing Rules, and in each of the aforementioned circumstances, SEOCH Participants shall pay to SEOCH such Variable Contributions as may from time to time be demanded by SEOCH.

11.3.1 Contributions in Cash and Other Approved Form of Non-Cash Collateral

SEOCH Participants which are required to top-up their Variable Contributions may pay in cash or in an approved form of non-cash collateral that is readily available and free from encumbrances by the start of trading on the due date specified in the clearing report. For cash contributions, SEOCH will direct debit SEOCH Participants' accounts with the Designated Banks or Settlement Banks by 12:00 noon on the third Business Day, unless otherwise specified by SEOCH, after the Top-up calculation date or utilise other means of collection as appropriate.