

**Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited**

**PREFACE**

This preface is included to give a general explanation of the purpose of the Rules of Hong Kong Futures Exchange Limited ("the Exchange"). The preface does not form part of these Rules and does not affect the construction of these Rules.

**The Exchange**

The Exchange is a company limited by shares and incorporated in Hong Kong under the Companies Ordinance. With effect from the Scheme Effective Date, the Exchange and The Stock Exchange of Hong Kong Limited became wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited ("~~HKEXHKEX~~") by way of respective schemes of arrangements under section 166 of the Companies Ordinance.

**Clearing**

All Exchange Participants trading on or through the facilities of the Exchange must clear or procure the clearing of their trades through the Clearing House, which is a wholly-owned subsidiary of ~~HKEXHKEX~~, the direct holding company of the Exchange. The Clearing House makes its own Regulations, whereby its Participants are categorised either as General Clearing Participants or Clearing Participants. Participants of the Clearing House are required to contribute to a reserve fund which is one of the resources available to provide financial support for the performance of all trades concluded on or through the facilities of the Exchange and to meet any defaults amongst Participants of the Clearing House. ~~HKEXHKEX~~, the Exchange and the Clearing House together carry out all risk management functions.

**CHAPTER I**

**INTERPRETATION ADMINISTRATION  
AND AMENDMENT OF THE RULES**

**Definitions and Interpretation**

101. In these Rules, unless the context otherwise requires, the following expressions shall bear the following meanings:

"Chief Executive"	means the Chief Executive from time to time appointed by the Board, his designee, or, as the context may require, a designated member of the <u>HKEXHKEx</u> staff;
"Clearing House"	means the wholly-owned subsidiary of <u>HKEXHKEx</u> which provides clearing services to Exchange Participants in respect of Exchange Contracts;
"Compliance Department"	means the department of the Exchange or <u>HKEXHKEx</u> which is responsible for, inter alia, the monitoring of the business, financial and trading activities of Exchange Participants to ensure compliance with these Rules, the Regulations and the Procedures, and the instigation of disciplinary proceedings against Exchange Participants;
"designated <u>HKEXHKEx</u> staff"	means such of <u>HKEX'sHKEx's</u> staff as the Chief Executive may from time to time designate pursuant to Rule 106 and "designated member of the <u>HKEXHKEx</u> staff" shall mean one of such staff;
"HKATS Official"	means designated <u>HKEXHKEx</u> staff empowered to oversee the trading in Markets operated through HKATS;
" <u>HKEXHKEx</u> "	means Hong Kong Exchanges and Clearing Limited;
" <u>HKEXHKEx</u> Board"	means the board of directors from time to time of <u>HKEXHKEx</u> or (as the context may require) the majority of directors present and voting at a duly convened meeting of directors at which a quorum is present, or any duly appointed committee of the <u>HKEXHKEx</u> Board;
" <u>HKEXHKEx</u> staff" or " <u>HKEX'sHKEx's</u> staff"	means staff of <u>HKEXHKEx</u> or staff of a company of which <u>HKEXHKEx</u> is a controller, including without limitation, staff of the Exchange;
" <u>HKEXHKEx</u> website"	means the official website of <u>HKEXHKEx</u> at <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> or at such other website address specified by <u>HKEXHKEx</u> from time to time;

Administration

106. These Rules shall be administered by the Chief Executive who may designate such of ~~HKEX's~~ ~~HKEx's~~ staff as he considers appropriate to assist him in that function.
107. Unless in these Rules it is expressly provided to the contrary, all questions concerning the interpretation or application or any other matter in connection with these Rules shall be determined by the Chief Executive whose decision shall, in the absence of a successful appeal pursuant to the next following Rule, be final and binding on all parties. All such questions or matters determined by any designated member of the ~~HKEX~~~~HKEx~~ staff may be appealed on an ad hoc basis to the Chief Executive.
109. No action shall lie against and no liability of whatsoever nature and howsoever arising and whether in contract, tort or otherwise shall be incurred by the Exchange, the Board, any Director, the Chief Executive, any designated member of the ~~HKEX~~~~HKEx~~ staff, a recognized exchange controller which is the controller of the Exchange, or any other person or body of persons in the exercise or performance or purported exercise or performance in good faith of any function, duty, obligation, power, right, privilege or discretion conferred or imposed on them by or pursuant to these Rules for the purpose of or in connection with the application and administration thereof.
- 109A. No action shall lie against and no liability of whatsoever nature and howsoever arising and whether in contract, tort or otherwise shall be incurred by the Exchange, the Clearing House, the Board, any Director, the Chief Executive, any ~~HKEX~~~~HKEx~~ staff or a recognized exchange controller which is the controller of the Exchange directly or indirectly in connection with any failure, error or defect in, or unavailability of, the automated trading system or any other equipment, systems, services or facilities of the Exchange, the Clearing House or a recognized exchange controller which is the controller of the Exchange, including where such failure, error or defect or unavailability is caused by the automated trading system or any other equipment, systems or facilities of the Exchange not being Year 2000 Compliant.

Notices to Exchange Participants and holders of Futures Exchange Trading Rights

112. (b) Unless otherwise provided in these Rules, all notices, requests, demands or other communications from the Exchange to holders of Futures Exchange Trading Rights and the Exchange Participants may be given orally or in writing, in person or by post, by electronic or wire transmission, by telephone or facsimile, by posting on the ~~HKEX~~~~HKEx~~ website or by any means of computer data transmission including, but in no way limited to broadcast messages via HKATS or e-mail.

- (c) A notice delivered by hand shall be deemed to have been served at the time of delivery; a notice sent by prepaid letter shall be deemed to have been served on the day following its posting; a notice sent by facsimile or electronic message shall be deemed to have been served on the day of despatch of the facsimile or electronic message; in the case of a notice sent by prepaid letter, in proving service thereof it shall be sufficient to prove that the envelope or wrapper containing the notice was properly addressed and stamped and was deposited in a post box or at the post office; a notice sent or delivered as aforesaid shall be deemed to have been served as aforesaid notwithstanding its being subsequently returned to the Exchange as undelivered, unaccepted or otherwise. In the case of communications made by the Exchange to a holder of Futures Exchange Trading Right and an Exchange Participant by posting on the ~~HKEXHKEX~~ website, the communications shall be deemed to have been received by the holder of the Futures Exchange Trading Right and the Exchange Participant immediately.

#### **CHAPTER IV**

#### **MARKET PRESENCE**

401. Only the following persons shall, subject to the Rules, be entitled to have access to HKATS:-
- (a) an Authorized Person;
  - (b) (deleted)
  - (c) designated ~~HKEXHKEX~~ staff;
  - (d) such other persons as the Chief Executive may determine; and
  - (e) such other persons authorized under these Rules,
- and all such persons shall be subject to Rule 807A (disconnection from HKATS).

**CHAPTER V**

**GENERAL OBLIGATIONS OF EXCHANGE PARTICIPANTSHIP**

General Obligations and Obligations to notify the Exchange and the Commission

506A. An Exchange Participant shall, upon the Board's direction, provide the Exchange with any information requested by an exchange, regulatory authority or an organization (whether within or outside Hong Kong) with whom ~~HKEXHKEX~~ or the Exchange has entered into an information sharing arrangement or agreement.

Responsible Officers and Employees

528. (a) Each Exchange Participant shall maintain a register of its employees which must be kept up-to-date and made available to designated ~~HKEXHKEX~~ staff on demand. This register shall contain the following particulars with respect to each employee:-

his present forename and surname (including in the case of a Chinese employee the Chinese characters for his forename and surname)

any former surname

any alias

his job title

his usual residential address

his nationality

the number of his Hong Kong identity card

the date of his becoming or ceasing to be an employee

the name and address of every former employer of such employee within the two years immediately preceding the commencement of his employment by the Exchange Participant

particulars of every licence, registration or authorization at any time maintained by or in respect of such employee pursuant to the Ordinance or other regulatory

provisions including the licence, registration or authorization number, the date of licence granted, first registration or authorization and the date of revocation of such licence, registration or authorization.

- (b) (deleted)
- (c) (deleted)
- (d) Each Exchange Participant shall ensure that every employee and Authorized Person of such Exchange Participant is competent and has acquired the necessary skills and knowledge to carry out his responsibilities.
- (e) (deleted)

#### Information Requests

535. Each Exchange Participant shall within the period specified in the demand or within such further period as may be approved by the Chief Executive or any other designated ~~HKEXHKEX~~ staff submit to the Chief Executive or any such other designated ~~HKEXHKEX~~ staff such statements and/or produce such books, records, accounts and documents as the Chief Executive or any such other designated ~~HKEXHKEX~~ staff may demand, including the books, accounts and telephone recordings required to be maintained in accordance with the SFC Code of Conduct.

#### Audits

536. (a) Designated ~~HKEXHKEX~~ staff and any other persons appointed by the Exchange for the purpose may from time to time inspect all of the books, records, accounts and documents maintained or required to be maintained by each Exchange Participant relating to its business and its financial position and that of its Clients, including the books, accounts and telephone recordings required to be maintained in accordance with the SFC Code of Conduct.
537. Designated ~~HKEXHKEX~~ staff and any other persons appointed by the Exchange for the purpose shall be entitled to interview and request confirmation from any Client, executing agent or other person dealing with an Exchange Participant, of any balance or any other matter relating to the compliance by the Exchange Participant with the Ordinance, these Rules, the Regulations or the Procedures.

538. (a) Each Exchange Participant, and where applicable any associated companies of an Exchange Participant, shall allow the designated ~~HKEXHKEX~~ staff and any other persons appointed by the Exchange for the purpose to make notes from any of the records of an Exchange Participant and each Exchange Participant is required to supply them, free of charge, copies of any or all documents which in their opinion are necessary to be given to the Exchange in order to facilitate any inspection of an Exchange Participant's books and records.

Confidentiality

539. (a) All information in the possession of the Exchange and persons employed or engaged by the Exchange or ~~HKEXHKEX~~ relating to an Exchange Participant, associated companies of an Exchange Participant or Clients of an Exchange Participant shall be kept confidential by the Exchange and all other persons having access to the same, except that:-
- (i) those persons may disclose such information to their immediate senior officer of the Exchange or ~~HKEXHKEX~~, the Chief Executive or to the chief executive or chief operating officer of ~~HKEXHKEX~~ for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees;
  - (ii) such information may be disclosed to any officer or employee of the Exchange or ~~HKEXHKEX~~, and to any person engaged by the Exchange or ~~HKEXHKEX~~, who in the opinion of the Chief Executive needs to know the information;
  - (iii) the Exchange may disclose any information at any time:-
    - (1) to the Clearing House;
    - (2) to the Commission;
    - (3) to any exchange, regulatory authority or any organization (whether within or outside Hong Kong) with whom ~~HKEXHKEX~~ or the Exchange has entered into an information sharing arrangement or agreement;
    - (4) to any recognized exchange controller; and/or
    - (5) to any company of which a recognized exchange controller which is the controller of the Exchange is a controller.

**CHAPTER VI**

**EXCHANGE PARTICIPANTS AND THEIR CLIENTS**

Disclosure of Information about Clients

606. (a) Upon the request of the Chief Executive or any designated ~~HKEXHKEX~~ staff, an Exchange Participant shall disclose (or where appropriate, cause its Clients to disclose) to the Chief Executive or such designated ~~HKEXHKEX~~ staff, all information regarding the identity of a Client whose account involves the trading of Exchange Contracts about which the Exchange Participant is required to be satisfied on reasonable grounds in accordance with the SFC Code of Conduct and the Client Identity Guidance Note, within such period as is specified in the Client Identity Guidance Note. Such information includes the identity, address and contact details of the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a transaction involving an Exchange Contract and of the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the transaction and/or bear its commercial or economic risk and the instruction given by that person or entity and such other information as the Chief Executive or any designated ~~HKEXHKEX~~ staff may request. Subject to the aforesaid, an Exchange Participant shall not disclose such information without the Client's permission.

Monitoring Margin Calls, Demands for Variation Adjustment and Physical Delivery Contracts Delivery Obligations

619. (c) The Chief Executive or any designated ~~HKEXHKEX~~ staff may require Exchange Participants to supply such further information in respect of accounts in respect of which default has occurred in the payment of margin or variation adjustment as he deems appropriate, including the name and Beneficial Identity of the relevant Client(s).
- (d) After the making of any notification pursuant to paragraph (b) of this Rule, the Exchange Participant shall submit to the Chief Executive or any designated ~~HKEXHKEX~~ staff details concerning any default by the Exchange Participant's Clients (including the details referred to in paragraph (b) of this Rule) on each Business Day until the aggregate amount of default falls below the amount referred to in paragraph (b) of this Rule.



Monitoring Large Open Positions

628. (b) Every Exchange Participant shall make reports to the Chief Executive or any designated ~~HKEXHKEX~~ staff of its Large Open Positions in such form and with such frequency as may from time to time be prescribed by the Board.
- (c) The Chief Executive or any designated ~~HKEXHKEX~~ staff may require Exchange Participants to supply such information in respect of a Large Open Position report as he deems appropriate.

Trading Limits and Position Limits

630. (d) The Chief Executive or any designated ~~HKEXHKEX~~ staff may require any Exchange Participant which holds or carries positions on behalf of a person or persons who is or are subject to any limits imposed pursuant to this Rule to report to the Chief Executive or any designated ~~HKEXHKEX~~ staff with such frequency as he deems appropriate.

**CHAPTER VII**

**DISCIPLINARY MATTERS**

Circumstances Giving Rise to Disciplinary Proceedings

701. Any Exchange Participant which:-
- (v) fails to provide information requested by an exchange, regulatory authority or an organization with whom ~~HKEXHKEX~~ or the Exchange has entered into an information sharing arrangement or agreement;

**CHAPTER VIII**

**TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS**

No Disclosure of Orders

817. No disclosure shall be made other than to designated ~~HKEXHKEX~~ staff or the Commission, if so required, of any orders to buy or to sell in hand and pending for execution. The giving of information for the purposes of quoting a bid or offer shall not be considered a violation of this Rule.

Error Trades

- 819B. If a trade takes place on HKATS at a level which deviates from the price parameters from time to time established by the Exchange and notified to Exchange Participants (the “Price Parameters”), the Exchange will entertain claims from any original party to the trade that the price was in error. Such claims shall be entertained only in accordance with the following procedures:
- (d) The Panel shall consist of such members of ~~HKEX’s~~ ~~HKEx’s~~ staff, selected by the Chief Executive, from a list approved by the Chief Executive from time to time. The Panel, in reaching its decision, may consider all relevant facts, including market conditions before, during, and after the transaction occurred; and whether one or more parties to a multiple counterparty trade believe the trade is valid.
  - (f) Within 30 minutes after any mutual consent to the cancellation of an Error Trade pursuant to paragraph (b) of this Rule, or any decision by the Panel that an Error Trade should be cancelled pursuant to paragraph (c) of this Rule, each party to the Error Trade shall complete and submit to the Exchange by facsimile or by hand a form prescribed by the Exchange from time to time in respect of the cancellation. If the Exchange does not receive the relevant form within the 30 minute time period, the Exchange and Clearing House shall be deemed to have been authorized by each party to the Error Trade to effect the cancellation on its behalf. ~~HKEX~~~~HKEx~~, the Clearing House and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

**CHAPTER IX**

**EMERGENCY AND EXTRAORDINARY SITUATIONS**

901. (b) The Exchange may suspend trading in any Market if, but only if, (A) in its opinion, or (B) it is directed by the ~~HKEX~~~~HKEx~~ Board to do so as a result of the ~~HKEX~~~~HKEx~~ Board being of the opinion that:-
- (i) one or more of the events or the circumstances specified in sub-paragraph (c) of this Rule is imminent or threatened or has occurred or developed provided if the imminence or threat or occurrence or development of such event(s) is in respect of or affects ~~HKEX~~~~HKEx~~ only, HKFE may not suspend trading unless directed by the ~~HKEX~~~~HKEx~~ Board to do so; and

- (c) The events or circumstances giving rise to the right to suspend trading in any Market are as follows:-
- (iv) any other event or circumstances (such as fire, explosion, accident, flood, ~~HKEXHKEX~~ staff labour dispute or strike, disruption or breakdown of ~~HKEXHKEX~~, Exchange or Clearing House equipment or utility supplies to ~~HKEXHKEX~~, the Exchange or Clearing House) directly affecting ~~HKEXHKEX~~, the Exchange or the Clearing House or the operation or availability of their respective facilities; and
- (e) Suspension of trading under this Rule may be directed by the ~~HKEXHKEX~~ Board or ordered by the Board or the Chief Executive. The Chief Executive may suspend trading under this Rule without prior reference to the Board if, but only if, in his opinion it is not possible for a meeting of the Board to be convened immediately. The Chief Executive may not otherwise suspend trading in any Market and whenever trading is suspended by the Chief Executive in accordance with this Rule, he shall arrange for a meeting of the Board to be held as soon as practicable after trading has been suspended.
902. Notice of suspension of trading shall be given to Exchange Participants, the Clearing House and ~~HKEXHKEX~~, and prior notice shall be given to the Commission or other appropriate regulatory body. The Exchange shall, if possible, give notice of suspension by means of facsimile, electronic message or via HKATS or DCASS or ~~HKEXHKEX~~ website or by such other means as the circumstances permit. The trading arrangements upon the approach and the retreat of Typhoons and/or the issuance and cancellation of Black Rainstorm Warnings shall be as stated in the Procedures.

## REGULATIONS FOR TRADING STOCK INDEX FUTURES CONTRACTS

### LARGE OPEN POSITIONS

- 022 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the Exchange Procedures.

**REGULATIONS FOR TRADING STOCK INDEX OPTIONS CONTRACTS**

**LARGE OPEN POSITIONS**

028 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the Exchange Procedures.

**REGULATIONS FOR TRADING STOCK FUTURES CONTRACTS**

**LARGE OPEN POSITIONS**

022 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the Exchange Procedures.

**REGULATIONS FOR TRADING OPTIONS ON STOCK FUTURES CONTRACTS**

**LARGE OPEN POSITIONS**

022 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the Exchange Procedures.

**REGULATIONS FOR TRADING ONE-MONTH AND THREE-MONTH HONG KONG INTERBANK OFFERED RATE FUTURES (“HIBOR FUTURES”) CONTRACTS**

**LARGE OPEN POSITION**

022 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the applicable Procedures.

**REGULATIONS FOR TRADING EXCHANGE FUND NOTE FUTURES (“EFN FUTURES”) CONTRACTS**

**LARGE OPEN POSITIONS**

020 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the applicable Procedures.

**REGULATIONS FOR TRADING METAL FUTURES CONTRACTS**

**LARGE OPEN POSITION**

022 (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated ~~HKEXHKEX~~ staff as required by the Rules and the applicable Procedures.

**TRADING PROCEDURES FOR STOCK FUTURES AND OPTIONS ON STOCK FUTURES TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE (“HKATS”)**

**CHAPTER 5**

**CONTINGENCY PROCEDURES**

5.2 Special Events

Special events which may affect trading will be handled by the Exchange in a manner similar to those described in relation to typhoon signals or black rainstorm warnings. Exchange Participants will be notified of the exact arrangements and procedures in relation to any suspension of services or facilities via the Market Messages Window of HKATS, DCASS, email, ~~HKEXHKEX~~ website or such other means deemed appropriate by the Exchange.