

Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

CHAPTER I

**INTERPRETATION ADMINISTRATION
AND AMENDMENT OF THE RULES**

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

“holder of a Futures Exchange Trading Right” means a person who holds a Futures Exchange Trading Right and whose name is entered as such in the register of Futures Exchange Trading Rights kept by the Exchange;

“Tender Process” means the process whereby a holder of Futures Exchange Trading Right that was granted under the Futures Exchange Scheme and that had not been transferred or deemed to have been transferred may relinquish its Futures Exchange Trading Right upon the invitation of the Exchange for tender subject to such terms and conditions as the Exchange may in its absolute discretion determine from time to time and prescribe in the tender invitation;

CHAPTER IIIA

FUTURES EXCHANGE TRADING RIGHTS

Application for the issue of a Futures Exchange Trading Right

- 3A03A. (a) Every new applicant for a Futures Exchange Trading Right shall complete, sign and deliver to the Exchange an application in writing in such form as the Board may from time to time prescribe.
- (b) In applying for a Futures Exchange Trading Right, every person shall follow the procedures from time to time prescribed by the Board.
- 3A03B. (a) The Board shall decide on each application. The Board may, upon receiving an application for Futures Exchange Trading Right, undertake a Tender Process, in connection with the issue of a Futures Exchange Trading Right. The results of the Tender Process shall be binding on the applicant.
- (b) The decision as to whether or not an applicant should be issued a Futures Exchange Trading Right is entirely in the discretion of the Board whose decision shall be final and conclusive.

Approval

- 3A03C. (a) Every applicant shall be informed by notice in writing as soon as possible after the relevant decision as to whether its application is approved or refused.
- (b) Any notice of approval issued pursuant to this Rule may be subject to such conditions as the Board thinks fit.

Conditions

3A03D. An applicant approved pursuant to Rule 3A03C shall not be issued a Futures Exchange Trading Right unless and until it shall have satisfied all of the following conditions:-

- (a) paid in full all fees (including the administration fee for the Tender Process where applicable and the fee for the Futures Exchange Trading Right) from time to time prescribed by the Board;
- (b) irrespective of any special conditions imposed by the Board, simultaneously upon the issue of a Futures Exchange Trading Right become an Exchange Participant if not already an Exchange Participant; and
- (c) complied with any other conditions specified in the notice of approval.

3A03E. The conditions in Rule 3A03D must be satisfied within the time specified in the notice of approval. If the conditions are not so satisfied, and the period for satisfaction is not extended by the Board, the approval in question will lapse and the application will be deemed to have been refused.

Restrictions on Transferability

3A12. (a) Subject to Rule 3A13, Futures Exchange Trading Rights which were granted under the Futures Exchange Scheme are transferable only once and any such transfer must be made within ten years after the Scheme Effective Date. For purposes of this Rule 3A12(a):

- (i) the following will be deemed not to be transfers:
- (A) the transmission of a Futures Exchange Trading Right to a person in consequence of the death of its recorded holder;
- (B) the assignment of a Futures Exchange Trading Right from an individual to a company of which he is the sole beneficial owner; and
- (C) a liquidator, receiver or trustee in bankruptcy taking possession of a Futures Exchange Trading Right in such capacity; provided, however, that any subsequent sale by the liquidator, receiver or trustee in bankruptcy will be treated as a transfer;

- (ii) a transfer of a Futures Exchange Trading Right will be deemed to occur if there is a change in control of a company (or of any holding company of such company) which holds a Futures Exchange Trading Right where the company which holds the Futures Exchange Trading Right is not, at the time of the change in control, an Exchange Participant. For purposes of this Rule 3A12(a)(ii), “control” means the holding of or the right to exercise more than half of the voting power of a company. For the avoidance of doubt, any direct or indirect (as described above) change in control of a company which is an Exchange Participant at the time of the change in control will not be deemed to be a transfer of the Futures Exchange Trading Right held by that company.

3A12. (b) Futures Exchange Trading Rights which were not granted under the Futures Exchange Scheme shall not be transferable.

3A13. No Futures Exchange Trading Right may be transferred unless:-

- (b) Subject to Rule 3A12(a), irrespective of any special conditions imposed by the Board, the proposed transferee of a Futures Exchange Trading Right must be, or simultaneously with completion of the transfer will become, an Exchange Participant.

Relinquishment of Futures Exchange Trading Rights

- 3A16. (a) A holder of Futures Exchange Trading Right(s) may, without affecting existing rights or obligations which have accrued and subject to these Rules, at any time relinquish its Futures Exchange Trading Right(s) without penalty or compensation.
- (b) Notwithstanding Rule 3A16(a), at any time prior to the tenth anniversary of the Scheme Effective Date, holders of Futures Exchange Trading Rights that were granted under the Futures Exchange Scheme and that had not been transferred or deemed to have been transferred may be invited to apply for relinquishment of their Futures Exchange Trading Rights under a Tender Process. In normal circumstances, the tender with the lowest price will be selected, but the Exchange is not bound to do so.
 - (c) The holder of Futures Exchange Trading Right whose tender has been selected under Rule 3A16(b) shall relinquish its Futures Exchange Trading Right within six months from the date of the notice of acceptance of the tender issued by the Exchange and in accordance with the procedures as from time to time determined by the Exchange. Any payment due to the holder of Futures Exchange Trading Right will be made by the Exchange as soon as practicable after he or it has relinquished his or its Futures Exchange Trading Right.
 - (d) The holder of the Futures Exchange Trading Right shall be deemed to relinquish his or its Futures Exchange Trading Right at the expiry of six months under Rule 3A16(c) and whereupon the holder of the Futures Exchange Trading Right shall be removed from the register of Futures Exchange Trading Rights.

APPENDIX B - FEES

FEES (continued)

Description	Amount¹
<i>Exchange Participantship/Trading Right-related fees</i>	
Exchange Participantship subscription fee	6,000/annum
Futures Exchange Trading Right (other than those issued under the Futures Exchange Scheme)	500,000/Futures Exchange Trading Right or where there is a Tender Process, 500,000 or the price of the selected tender, whichever is the lower
Administration fee for Tender Process	50,000 (Not applicable if no valid tender is received)