

Rules and Procedures of HKFE Clearing Corporation Limited

CHAPTER II

HKCC PARTICIPANTSHIP

Rights to record, register, and clear

204. A Non-Clearing Participant is not entitled to record, register, or clear Contracts in accordance with the HKCC Rules but must procure that each Contract entered into by it is recorded, registered, and cleared on its behalf in accordance with the HKCC Rules by a General Clearing Participant.

CHAPTER III

REGISTRATION, CLEARING, RISK

Timing of registration

- 308A. (a) Unless otherwise specified in the Exchange Rules, these Rules or the Clearing House Procedures, the registration of a Contract validly executed through HKATS shall occur immediately upon the recording of such Contract in accordance with the Exchange Rules. The parties to such registration will be determined as follows:
- (i) where the original parties to a Contract are General Clearing Participants or Clearing Participants, that Contract will be registered in the respective names of the relevant HKCC Participants; or
 - (ii) where an original party to a Contract is a Non-Clearing Participant, that Contract will be registered in the name of the General Clearing Participant with which that Non-Clearing Participant has executed a Clearing Agreement and which has been designated by that Non-Clearing Participant to clear the Contract and the General Clearing Participant will be treated for all purposes as the party to the Contract for registration and novation purposes.

Clearing agreements

314. (a) Each General Clearing Participant shall enter into a Clearing Agreement in such form and containing such provisions as may from time to time be required by the Clearing House with each Non-Clearing Participant for which it proposes to clear trades. Except as otherwise prescribed by the Clearing House, no General Clearing Participant may clear trades for a Non-Clearing Participant until such Clearing Agreement has been signed by both parties.
- (b) Each General Clearing Participant shall notify the Clearing House forthwith on the execution of each Clearing Agreement, identifying the name of the relevant Non-Clearing Participant. Such notification shall be in such form as the Clearing House may from time to time specify. The General Clearing Participant shall, at the request of the Clearing House, supply it with a certified copy of the executed Clearing Agreement.
- (c) Each General Clearing Participant shall be responsible for all the trades that each of its Non-Clearing Participants has concluded and designated to it for clearing and a General Clearing Participant shall not be entitled to decline to verify or (except in the case of a Contract transferred in accordance with these Rules) otherwise refuse to accept registration, as the case may be, in its name by the Clearing House of each relevant Contract made by the relevant Non-Clearing Participant.
- (d) Each General Clearing Participant shall notify the Clearing House forthwith of any failure of a Non-Clearing Participant to meet its obligations under the Clearing Agreement, in which case the Clearing House may disclose such information to any other General Clearing Participant of the Non-Clearing Participant. Such notification shall be in such form as the Clearing House may from time to time specify.
319. (a) A General Clearing Participant shall give prior written notice to the Clearing House if it or any of its Non-Clearing Participants intends to terminate the Clearing Agreement between them, unless the Non-Clearing Participant has already given notice to terminate the Clearing Agreement to the Exchange in accordance with the Exchange Rules.
- (b) When the Clearing House receives a termination notice from the General Clearing Participant or when HKCC receives notification from the Exchange that notice to terminate the Clearing Agreement had been given by a Non-Clearing Participant, the Clearing House will issue a confirmation of termination to the General Clearing Participant (with a copy to the Non-Clearing Participant concerned) in writing and unless and until written acknowledgement has been issued to the General Clearing Participant, the Clearing Agreement shall be treated as valid, binding and effective by the Clearing House for the purposes of these Rules notwithstanding any provision to the contrary in the Clearing Agreement and/or the termination notice from the General Clearing Participant or the Non-Clearing Participant and the General Clearing Participant shall continue to be bound by the Clearing Agreement and responsible for all the Contracts that such Non-Clearing Participant has concluded and designated to the General Clearing Participant for clearing.

- (c) Notwithstanding the above, the Clearing Agreement is deemed to be terminated when the General Clearing Participant has resigned or is suspended or revoked from HKCC Participantship or when its access to DCASS and/or CCMS is suspended or revoked under the HKCC Rules.
- (d) The termination of the Clearing Agreement between a General Clearing Participant and a Non-Clearing Participant will not affect any of their rights or liabilities arising out of matters which have taken place prior to the termination of the Clearing Agreement and for the purpose of settlement of any such rights or liabilities of the General Clearing Participant and Non-Clearing Participant, the Clearing House may continue to treat the General Clearing Participant as the General Clearing Participant of the Non-Clearing Participant.