

Rules and Procedures of HKFE Clearing Corporation Limited

CHAPTER I

INTERPRETATION

Definitions

101. In these Rules, the definitions contained in the Exchange Rules (as hereinafter defined) shall where the context permits be incorporated herein by reference and the following expressions shall, unless the context otherwise requires, bear the following meanings:-

“Metal Futures Contract”	has the meaning given to it in the Regulations for Trading Metal Futures Contracts of the Exchange Rules;
<u>“Negative Interest Rate Currency”</u>	<u>means a currency in respect of which its central bank or other relevant authority has adopted a negative interest rate policy and is specified by the Clearing House as such;</u>
“Non-Clearing Participant”	means an Exchange Participant which is not an HKCC Participant;

CHAPTER IV

CLEARING HOUSE MARGIN, VARIATION ADJUSTMENT,

COVER FOR MARGIN AND ACCOUNTS

Ledger accounts

414. (a) The Clearing House will open more than one account in DCASS and CCMS in respect of each HKCC Participant as more particularly described in the Clearing House Procedures. Every account shall bear the name of the HKCC Participant in question and may bear such additional titles as the HKCC Participant may request.

(b) The Clearing House notes that certain HKCC Participants are required by the Exchange Rules to maintain accounts entitled "Client Account", "Segregated Account" or "Non-House" or some other similar name for the purpose of keeping their own separate record of trades transacted on behalf of their Clients. Accordingly, in accordance with the Clearing House Procedures, the Clearing House will open separate Client accounts in DCASS and CCMS for each HKCC Participant to whom the provision of the Exchange Rules applies. Neither the creation or maintenance of any such accounts nor the special provisions in these Rules relating to such accounts shall in any way detract from the provisions of Rule 311(c) or shall give rise to any trust or other equitable interest in respect of the monies or non-cash collateral standing

to the credit of such accounts, or in any way relieve any HKCC Participant from its obligations as principal under all Contracts registered and cleared with the Clearing House.

- (c) Without prejudice to any other rights of the Clearing House in respect of the amounts standing to the credit of an HKCC Participant's CCMS Collateral Account (including its Reserve Fund Deposits), the Clearing House may invest such amounts or any part thereof in such manner and to such extent as the Clearing House considers expedient and financially prudent. For the avoidance of doubt, any obligation of the Clearing House to redeliver or release such amounts to the HKCC Participant ~~and any interest the Clearing House may pay or charge the HKCC Participant~~ in accordance with these Rules shall not be affected by any gain or loss arising from the investment activities. Any such gain or loss in respect of amounts other than Reserve Fund Deposits is for the Clearing House; and any such gain or loss in respect of Reserve Fund Deposits is for the Reserve Fund.

Interest, costs and charges on credit balances

417. The Clearing House may pay or charge HKCC Participants interest on the cash balance in HKCC Participants' CCMS Collateral Accounts at such positive or negative rate, and may levy costs and charges thereon in such amount, as it may determine from time to time in accordance with the Clearing House Procedures.

Calculation of ~~Interest~~ rates, costs and charges

419. Any alteration in the basis of calculating interest ~~rates, costs and charges~~ under Rule 417 or Rule 418 shall become effective, in respect of all current and future deposits, on the seventh day after the date on which notice of the alteration is notified to HKCC Participants. For the avoidance of doubt, alterations may be made by the Clearing House on shorter notice or without prior notice if ~~only the interest rate as applied by the Clearing House under Rule 417 is changed but~~ the basis of ~~calculation~~ calculating the rate remains unaltered.

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 Clearing House Margin

2.2.7 *Additional Clearing House Margin— concentration margin*

- 2.2.7.4 Where additional Clearing House margin is collected pursuant to this section, interest thereon at such positive or negative rate may be paid or charged, and costs and charges thereon in such amount may be levied, by the Clearing House ~~at such positive or negative rate~~ as it may determine from time to time in accordance with Appendix V to these Clearing House Procedures ~~prevailing~~

~~bank savings rates~~. Any interest, costs and charges accrued or charged shall be posted to or deducted from the HKCC Participant's CCMS Collateral Account on the first Business Day of the following month.

2.2.8 *Additional Clearing House Margin – Reserve Fund additional margin*

2.2.8.4 Where additional Clearing House margin is collected pursuant to this section, interest thereon at such positive or negative rate may be paid or charged, and costs and charges thereon in such amount may be levied, by the Clearing House ~~at such positive or negative rate~~ as it may determine from time to time in accordance with Appendix V to these Clearing House Procedures~~prevailing bank savings rates~~. Any interest, costs and charges accrued or charged shall be posted to or deducted from the HKCC Participant's CCMS Collateral Account on the first Business Day of the following month.

2.6 Methods of Providing Cover for Clearing House Margin

2.6.1 *Cover provided by means of Cash in the Settlement Currency*

Any cash balance in the Settlement Currency in excess of the amount required to cover an HKCC Participant's Clearing House margin liability shall automatically be used by the Clearing House as cover for any subsequent increase in the Clearing House margin liability of the HKCC Participant without the HKCC Participant's prior consent. Interest on cash balance in the Settlement Currency at such positive or negative rate may be paid or charged, and costs and charges thereon in such amount may be levied, by the Clearing House ~~at such positive or negative rate~~ as it may determine from time to time in accordance with Appendix V to these Clearing House Procedures~~prevailing bank savings rates~~.

2.6.2 *Cover provided by means of Cash in an Approved Currency other than the Settlement Currency*

Interest ~~may be paid or charged by the Clearing House~~ on the cash balance in an approved currency other than the Settlement Currency at such positive or negative rate may be paid or charged, and costs and charges thereon in such amount may be levied, by the Clearing House as it may determine from time to time in accordance with Appendix V to these Clearing House Procedures~~prevailing bank savings rates~~. The rate of interest may be varied from time to time by the Clearing House without prior notice.

2.9 Value Date for Delivery and Redelivery of Approved Currencies Other Than Applicable Settlement Currencies

2.9.2 *Redelivery of Approved Currencies Other Than Applicable Settlement Currencies*

An HKCC Participant may request the redelivery of any excess Currency Amount provided to the Clearing House by notifying the Clearing House of its intention in writing or by other means acceptable to the Clearing House by 11:00 a.m. on each Business Day. In the event that the Clearing House, in its sole discretion, agrees to redeliver such excess Currency Amount, the requesting HKCC Participant's CCMS Collateral Account with the Clearing House will be debited immediately. The redelivery of the requested amount will not be effected on the same day as the date of the request as set out in sections 2.9.2.1 and 2.9.2.2

and will depend on whether it is a Bank Business Day in the country where the HKCC Participant's bank is located or where the Currency Amount is cleared. Interest ~~may be paid or charged by the Clearing House~~ on the excess Currency Amount being redelivered at such positive or negative rate may be paid or charged, and costs and charges in such amount may be levied, by the Clearing House as it may determine from time to time in accordance with Appendix V to these Clearing House Procedures~~prevailing bank savings rates~~ until the redelivery is effected.

Schedule I

INTEREST AND ACCOMMODATION CHARGE STRUCTURE

1. APPROVED CURRENCIES

INTEREST PAYABLE OR CHARGED TO ~~OR~~ AND COSTS AND CHARGES LEVIED ON HKCC PARTICIPANTS

- | | | |
|---------------------------------------|---|---|
| Clearing House margin covered by cash |) | to be determined by the Clearing House from time to time in accordance with prevailing bank savings rates |
| Surplus cash |) | HKD |
| Additional margin covered by cash |) | <u>Interest payable shall be calculated based on the prevailing 1 month Hong Kong Interbank Offered Rate (HIBOR), as adjusted by a factor of 0.5 and a 0.25% spread, provided that if the calculated amount is less than zero, the amount payable shall be set at zero.</u> |

Any approved currency, other than HKD, which is not a Negative Interest Rate Currency
Interest payable or charged shall be calculated from time to time based on prevailing bank savings rates.

Any approved currency, other than HKD, which is a Negative Interest Rate Currency
Interest and costs charged shall be calculated at a rate of 0.25% plus any costs incurred by the Clearing House (including any negative yield, swap costs and charges imposed by banks), as may be reduced by any positive return thereon received by the Clearing House.

- | | | |
|---|---|---|
| HKCC Participant Additional Deposits made in cash |) | to be determined by the Clearing House from time to time in accordance with <u>based on</u> prevailing deposit rates |
| |) | |
| |) | |