

## CHAPTER II

### HKCC PARTICIPANTSHIP

#### Requirements for Participantship

201. Every HKCC Participant must be registered under one of the categories of Participantship prescribed by these Rules and, unless it is a General Clearing Participant which is a Registered Institution, must be an Exchange Participant.
202. HKCC Participants may be registered under either of the following categories:-
  - (a) General Clearing Participant; or
  - (b) Clearing Participant.

#### Register of HKCC Participants

- 202A. The Secretary shall maintain a register of HKCC Participants containing the full names and addresses of all HKCC Participants, particulars of the category of HKCC Participantship under which each HKCC Participant is registered and the date of admission of each HKCC Participant.

#### Publication of a list of HKCC Participants

- 202B. The Clearing House shall maintain and keep up to date at regular intervals a list of HKCC Participants in each category in existence at the time. The Clearing House shall publish such lists on the HKEX website or by such other means as it considers appropriate.

#### Rights to record, register, and clear

203. Every HKCC Participant is entitled in accordance with the HKCC Rules to record, register, and clear Contracts entered into by itself provided that it (i) has opened a House and a Client bank account with a Designated Bank, an Approved Settlement Bank or a Prime Settlement Bank for each applicable Settlement Currency; and (ii) has satisfied such additional eligibility criteria as may from time to time be prescribed by the Clearing House and notified to HKCC Participants. In addition:-
  - (a) a General Clearing Participant is entitled to record, register, and clear Contracts in accordance with the HKCC Rules on behalf of those Non-Clearing Participants with which it has entered into a Clearing Agreement, and also for Clearing Participants; and

- (b) at the discretion of the Clearing House a Clearing Participant may be entitled to record, register, and clear Contracts in accordance with the HKCC Rules for other Clearing Participants.
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.

Procedure on application

205. In applying for HKCC Participantship, or in applying to change the category of HKCC Participantship under which it is registered, any person so applying shall follow the procedures from time to time prescribed by the Board.
206. (a) The Board shall decide on each application.
- (b) The decision as to whether or not a person should be admitted as an HKCC Participant or should be permitted to change its category of HKCC Participantship is entirely in the discretion of the Board.
207. No person shall be registered as an HKCC Participant unless it satisfies the financial resources requirements applicable to the category of HKCC Participantship from time to time prescribed by the Clearing House.
208. Every applicant shall apply for registration as an HKCC Participant under the same name as that under which it is registered as an Exchange Participant or, in the case of an application for registration as a General Clearing Participant which is a Registered Institution, the same name as that under which it is registered as such under the Ordinance. The applicant shall provide the Clearing House with such certifications, declarations, representations, undertakings, documents and further information as the Clearing House may require for dealing with the application.
209. (a) Every applicant shall be informed by notice in writing within 7 Business Days after the relevant meeting as to whether its application is approved or refused.
- (b) A copy of every notice of approval shall be sent to the Exchange and the Commission.
- (c) Any notice of approval issued pursuant to this Rule may be subject to such conditions as the Board thinks fit.
- (d) If the Board refuses an application to admit as an HKCC Participant, the applicant may, within 14 Business Days after it is notified of the Board's decision, appeal in writing to the Participant Admission Appeals

Committee in accordance with Rules 227 to 244. The decision of the Participant Admission Appeals Committee will be final and conclusive.

210. An applicant approved pursuant to Rule 209 shall not be registered as an HKCC Participant unless and until it shall have satisfied all of the following conditions:-
- (a) (deleted)
  - (b) paid in full its HKCC Participant's Deposit in Hong Kong dollars or in any other currency prescribed by the Clearing House from time to time (or such initial instalment on account of its HKCC Participant's Deposit as the Clearing House may stipulate);
  - (c) executed an undertaking in the prescribed form to be bound by the HKCC Rules and delivered to the Clearing House a certified copy of a board minute authorizing a director to sign the undertaking on behalf of the company;
  - (d) become registered as an Exchange Participant (unless it is a Registered Institution approved as a General Clearing Participant); and
  - (e) complied with any other conditions specified in the notice of approval.
211. The conditions in Rule 210 must be satisfied within the time specified in the notice of approval, or, if no such time is specified, within six weeks of such notice. 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.
212. Forthwith upon the later of the issue of a notice of approval or the satisfaction of the conditions in Rule 210, the Secretary will register the applicant as an HKCC Participant under the relevant category. Registration of an HKCC Participant on the register of HKCC Participants shall be proof of its participantship and the register of HKCC Participants shall be conclusive as to the information registered thereon.
213. The Clearing House will no longer issue any certificate of Participantship to a new HKCC Participant or re-issue any certificate of Participantship issued to an HKCC Participant prior to 1 January 2021 that has been defaced, lost or destroyed.

#### Continuing obligations of HKCC Participants

214. Every HKCC Participant must at all times during the currency of its HKCC Participantship:-

- (a) comply with the Financial Resources Rules, unless it is a General Clearing Participant which is a Registered Institution, and where applicable the financial resources requirements made under Rule 215 or 215A;
- (b) comply strictly with the HKCC Rules and any conditions stipulated in the notice of approval of its HKCC Participantship given pursuant to Rule 209;
- (c) make such regular financial returns as may from time to time be prescribed by the Clearing House;
- (d) keep in good standing its Exchange Participantship or, in the case of a General Clearing Participant which is a Registered Institution, keep in good standing its registration as a Registered Institution and demonstrate to the satisfaction of the Clearing House its capability to manage the portfolio of a defaulting NCP for which it clears;
- (e) maintain and keep current any registration required by the Ordinance;
- (f) observe any position limits imposed pursuant to these Rules or the Exchange Rules;
- (g) comply with any procedures from time to time prescribed by the Board and relating to the business of the Clearing House;
- (h) not sell, transfer, pledge, charge or otherwise encumber or deal with its HKCC Participantship;
- (i) adhere strictly to the provisions of the Ordinance;
- (ia) comply with any law, decree, rule, regulation, or order of any government, regulatory authority, competent authority, court or tribunal anywhere in the world, applicable to it or to its status, the conduct of its business and the performance of its obligations as an HKCC Participant, including, for the avoidance of doubt, all applicable laws, decrees, rules, regulations, and orders of any government, regulatory authority, competent authority, court or tribunal relating to the prevention of bribery, money laundering, tax evasion, financial crimes and terrorist financing;
- (j) accept as final and obey at all times, the decisions and directions of the Board, the Managing Director and any other person or body of persons in the lawful execution of their powers pursuant or incidental thereto;
- (ja) pay when due all amounts required by the Clearing House including but not limited to Gainer VA Flow Adjustment in the Loss Distribution Process, Termination Value Payable in the contract termination process,

Limited Recourse Interim CP Payable or Limited Recourse Final CP Payable upon a Clearing Service Termination Event and HKCC Default Interim CP Payable or HKCC Default Final CP Payable pursuant to section 8.1 of the Clearing House Procedures;

- (k) meet all requirements to provide such HKCC Participant Additional Deposits, Assessments and replenishment of Reserve Fund Deposits as may from time to time be demanded by the Clearing House;
- (ka) (deleted)
- (l) unless exempted by the Clearing House (which exemption may be granted on such conditions as the Clearing House considers appropriate), have installed such computer equipment and software as may be specified by the Clearing House for gaining access to DCASS and CCMS and ensure that such computer equipment and software is operated and maintained in accordance with the requirements as prescribed from time to time by the Clearing House;
- (m) provide the Clearing House with sufficient information so as to enable the Clearing House to determine whether any payments to be made by the Clearing House under these Rules are withholdable payments pursuant to the Tax Information Exchange Framework and to enable the Clearing House to meet any applicable obligations relating to the Tax Information Exchange Framework;
- (n) notify the Clearing House of any change in the details supplied to the Clearing House at the time of admission and thereafter, including but not limited to anything relating to such HKCC Participant, its directors or employees which would render inaccurate, incomplete or superseded a statement or information previously furnished by such HKCC Participant to the Clearing House in connection with either (a) such HKCC Participant's application for admission to be an HKCC Participant or (b) the status of such HKCC Participant under the Tax Information Exchange Framework, the documentation previously furnished by such HKCC Participant on such status or the meeting by the Clearing House under clause (m) of any obligations relating to the Tax Information Exchange Framework; and
- (o) keep all books, records or documents relating to each Contract registered in its name for the term of such Contract and for at least seven years following the termination of each such Contract.

214A. Every HKCC Participant shall:

- (a) provide to the Clearing House:
  - (i) as soon as reasonably practicable subsequent to any

reorganisation of its corporate group, an updated group organisation chart;

- (ii) on an annual basis, a list of each of its direct and indirect shareholders holding 10% or more of the share capital or voting rights of the HKCC Participant;
  - (iii) as soon as reasonably practicable following a change (direct or indirect) of 10% or more in the share capital or voting rights of the HKCC Participant (including any change in the interest of an existing shareholder who holds an interest (direct or indirect) of 10% or more in the share capital or voting rights of the HKCC Participant and any new shareholder acquiring an interest (direct or indirect) of 10% or more in the share capital or voting rights of the HKCC Participant), the relevant information setting out such change; and
  - (iv) within the time frame specified by the Clearing House, such information as the Clearing House may request from time to time including changes to its financial condition; and
- (b) upon the Board's direction, provide the Exchange with any information requested by an exchange, clearing house, governmental, regulatory or other competent authority or an organization (whether within or outside Hong Kong) with which HKEX, the Clearing House or the Exchange has entered into an information arrangement or agreement or pursuant to the Tax Information Exchange Framework.

214B. (a) Every HKCC Participant which is an Exchange Participant must set Prescribed Risk Controls for itself (as Exchange Participant) and every General Clearing Participant must set Prescribed Risk Controls for each Exchange Participant for whom it clears, including its or such Exchange Participant's Authorized Persons and any other person who is allowed to trade through HKATS via its or such Exchange Participant's connection or any connection granted by the Exchange through it or such Exchange Participant.

- (b) Every HKCC Participant must provide the Clearing House with such information as it may request from time to time to enable the Clearing House to assess whether the Prescribed Risk Controls set by the HKCC Participant are reasonable.
- (c) Every HKCC Participant must notify the Clearing House forthwith upon the execution by any of its Authorized Persons of an order blocking or cancellation function using the HKATS Risk Functions or any other function as prescribed by the Clearing House from time to time.

- (d) Every HKCC Participant is responsible for the Prescribed Risk Controls set by it. The Clearing House, the Exchange and a recognized exchange controller of the Clearing House shall in no case be liable for the sufficiency or effectiveness of the Prescribed Risk Controls set by an HKCC Participant or any failure or unavailability of, or error or defect in the HKATS Risk Functions, the HKCC Participant's connection to HKATS or any Prescribed Risk Controls-related reports, warnings or notifications that may be provided to the HKCC Participant by the Clearing House.
- (e) Every HKCC Participant agrees to use the HKATS Risk Functions for the purpose of establishing, monitoring and implementing Prescribed Risk Controls only and not for any other purpose. Every HKCC Participant shall ensure that only its Authorized Person shall gain access to HKATS through the HKATS Risk Functions.

214C. Each General Clearing Participant which is a Registered Institution shall notify the Clearing House in writing without delay providing full particulars known to it of:

- (a) any failure to maintain Tier 1 capital in an amount not less than that set out in Rule 215;
- (b) a decrease in Tier 1 capital by more than 10% from the amount of Tier 1 capital shown on its most recent financial information as provided to the Clearing House pursuant to Rule 214D;
- (c) any events or matters which relate to its clearing activities and exposure to general and financial risks as from time to time specified in these Rules or as the Clearing House may from time to time specify or notify to General Clearing Participants which are Registered Institutions;
- (d) any material breach, infringement of or non-compliance with any provisions of these Rules, or where it has reason to suspect any such breach, infringement or non-compliance whether by itself, or any other persons acting on its behalf; and
- (e) within the time frame specified by the Clearing House, submit to the Clearing House such statements, books, records, accounts, other documents or information which relate to its clearing activities or its exposure to general and financial risks as the Clearing House may reasonably demand, and shall promptly respond to all queries from the Clearing House.

214D. Each General Clearing Participant which is a Registered Institution must provide the following information to the Clearing House:

- (a) audited financial statements and audited consolidated financial statements, including balance sheet and profit and loss accounts, with the auditor's report drawn up in accordance with applicable law and accounting standards within 120 days of the end of the General Clearing Participant's fiscal year;
- (b) quarterly balance sheet and profit and loss statements that are signed by authorized signatory or signatories of such General Clearing Participant, drawn up in accordance with applicable law and accounting standards, within 30 days of its quarter-end date, together with evidence of signing authority and specimen signatures. Save and except for any changes made to a General Clearing Participant's list of authorized signatory(ies), a General Clearing Participant is only required to provide evidence of signing authority and specimen signatures for the first time its quarterly balance sheet and profit and loss statements are delivered to the Clearing House;
- (c) copies of all financial returns made by a General Clearing Participant to its regulator as soon as reasonably practicable following such returns having been submitted to the relevant regulator; and
- (d) such financial or other relevant information which relates to the General Clearing Participant's clearing activities or its exposure to general and financial risks, in addition to what is required by this Rule 214D, as may be requested by the Clearing House at its reasonable discretion from time to time.

#### Financial resources requirements

215. The minimum financial resources requirements applicable to HKCC Participants shall be those stipulated by the Clearing House from time to time by reference to, among other things, the nature and category of HKCC Participants. Without prejudice to Rule 215A,

- (I) every HKCC Participant (other than a General Clearing Participant which is a Registered Institution) shall maintain Liquid Capital of no less than:-
  - (a) its required Liquid Capital under the Financial Resources Rules; or
  - (b) the following amount, as appropriate:-
    - (i) HK\$100,000,000 for a General Clearing Participant provided that if it has entered into valid clearing agreements with no more than five Non-Clearing Participants, an additional HK\$20,000,000 for each Non-Clearing Participant after the fifth Non-Clearing Participant with which it has entered into a valid clearing agreement, subject to a maximum of HK\$390,000,000;

(ii) HK\$5,000,000 for a Clearing Participant,

whichever is greater; and

(II) every General Clearing Participant which is a Registered Institution shall maintain Tier 1 capital of not less than HK\$390,000,000.

- 215A. Notwithstanding the Financial Resources Rules and Rule 215, the Clearing House may increase the requirements thereunder in respect of any HKCC Participant to suit the circumstances of a particular case or of HKCC Participants generally, if it deems that circumstances so justify. Such increased requirements may be subsequently varied by the Clearing House as various circumstances may exist which require the Clearing House to make ad hoc decisions. However, every HKCC Participant must still comply with the Financial Resources Rules.
- 215B. The Clearing House shall ensure that changes in the prevailing minimum financial resources requirements determined pursuant to Rule 215A are promptly notified to all relevant HKCC Participants in such manner as the Clearing House may specify.
- 215C. The Clearing House shall ensure that the Commission is notified of all prevailing minimum financial resources requirements as determined by the Clearing House pursuant to Rule 215A and shall notify the Commission immediately of any changes in the minimum financial resources requirements prevailing from time to time.
- 215D. If any discrepancy exists between the level of Liquid Capital or other financial resources requirements as set forth or determined by the Clearing House pursuant to these Rules and that set forth in the Financial Resources Rules, the level which is higher or more stringent shall prevail.

#### Transfer of HKCC Participantship

216. HKCC Participantship is personal to an HKCC Participant and shall not be transferable.

#### Resignation and reimbursement of HKCC Participants' Deposits and HKCC Participant Additional Deposits

217. (a) An HKCC Participant which wishes to resign its HKCC Participantship must give the Clearing House notice in writing of its intention to resign.
- (aa) A resigning HKCC Participant's HKCC Participantship will be terminated at such time as may be specified by the Clearing House and notified to the resigning HKCC Participant.
- (ab) The liability of a resigning HKCC Participant to provide Reserve Fund Deposits and to provide Assessments shall be limited in accordance with Rule 707D and the Clearing House Procedures.

- (b) Two months after the effective date of termination of its HKCC Participantship, an HKCC Participant has a right to reimbursement of an amount equal to its HKCC Participant's Deposit, without interest, subject to the following provisions of this Rule.
- (c) If all or part of the HKCC Participant's Deposit of the resigning HKCC Participant is applied towards any payment in accordance with Rule 706, the HKCC Participant's right to reimbursement shall be reduced by an equivalent amount and if any amount so applied is recovered from Defaulters under Rule 701(b) as determined on the effective date of termination of its HKCC Participantship, monies recovered from the Defaulter (less any uncovered costs and expenses of recovery) shall be repaid to the resigning HKCC Participant pursuant to Rule 701(b).
- (d) (deleted)
- (e) Until the effective date of termination of its HKCC Participantship, an HKCC Participant shall remain bound by all the provisions of these Rules.
- (f) A Resignation Notice may only be revoked before the effective date of termination of its HKCC Participantship with the prior written consent of the Clearing House. The resigning HKCC Participant is required to submit a written request to the Clearing House giving reasons for the revocation and to fulfill its liabilities under the Rules as if the Resignation Notice had not been given to the Clearing House before the resignation can be revoked.
- (g) Every HKCC Participant which has given a Resignation Notice:
  - (i) is under a duty immediately to submit to the Clearing House a program for the winding down of all positions held by it, by closing out, trading out or transferring all the open Contracts held or controlled by it and, except with the prior consent of the Clearing House, shall adhere to that program until the effective date of termination of its HKCC Participantship; and
  - (ii) shall not, except with the consent of, or as directed by, the Clearing House, create any open positions.
- (h) The Clearing House may require any HKCC Participant which has given a Resignation Notice to close out a Contract pursuant to Rule 512, to settle a Contract pursuant to Rule 514, or to transfer a Contract pursuant to Rules 513 and 313 and may impose position limits or revise any position limits already imposed on such HKCC Participant.

- (i) If the Clearing House is satisfied that an HKCC Participant is resigning its HKCC Particpantship pursuant to a reorganisation of the group of companies of which the HKCC Participant is a member and in circumstances where another company in the same group is to become an HKCC Participant and to continue the business of the existing HKCC Participant in place of the existing HKCC Participant; and for this purpose a company shall be in the same group as another company if, in the opinion of the Clearing House, the ultimate beneficial owners of both companies are the same or substantially the same, then, upon written application of the resigning HKCC Participant, the Clearing House may issue a written notice exempting that HKCC Participant from compliance with paragraphs (g) and (h) of this Rule 217 and, if the Clearing House thinks fit, allowing the resigning HKCC Participant's Deposit and any Participant Additional Deposit to be credited to the new HKCC Participant with effect from a date stipulated by the Clearing House (such date not to be later than the date upon which the new HKCC Participant becomes an HKCC Participant). Any such notice may be issued on such conditions as the Clearing House thinks fit. The Clearing House shall have an absolute discretion to determine whether or not the ultimate beneficial ownership of companies is "the same or substantially the same" and the Clearing House's decision in relation to the same shall be final and binding.
- (j) Reimbursement of HKCC Participant Additional Deposits will be made in accordance with the Clearing House Procedures.
- (k) The Clearing House may deliver or return to HKCC Participant assets in such form and in such amount, as the Clearing House deems appropriate, equivalent to the assets recorded as part of its Reserve Fund Deposits Balance.

#### Transitional

218. The Board may prescribe transitional provisions applicable to the HKCC Participants which become HKCC Participants immediately upon, or which have already given a Resignation Notice to the Clearing House upon, the adoption of these Rules. In particular, the Board may prescribe rules or procedures whereby HKCC Participants' Deposits may be paid by instalments (including provisions whereby interest shall accrue on any overdue instalment).

#### Disclosure of information

219. All information in the possession of the Clearing House relating to an HKCC Participant shall be kept confidential by the Chairman, Managing Director, staff or officers of the Clearing House or HKEX having access to the same, except that:-

- (a) those persons may disclose such information to their immediate senior officer of the Clearing House or HKEX, the Managing Director, or to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees;
- (b) those persons may disclose such information to any other officer of the Clearing House or HKEX who in the opinion of the Managing Director or Chairman needs to know the information;
- (c) the Clearing House may disclose any information at any time:-
  - (i) to the Exchange;
  - (ii) at the discretion of the Managing Director, to the Commission;
  - (iii) to any insurer, insurance broker or banker in connection with the arrangement of support for the Reserve Fund;
  - (iv) to any exchange, clearing house, governmental, regulatory or other competent authority or any organization (whether within or outside Hong Kong) with which HKEX, the Clearing House or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework;
  - (v) to any recognized exchange controller; and
  - (vi) to any company of which a recognized exchange controller which is the controller of the Clearing House is a controller.
- (d) the Clearing House shall disclose information in response to a request from the Commission or if ordered by a court of competent jurisdiction so to do;
- (e) the Clearing House may disclose information to any body or person responsible for determining disciplinary matters pursuant to these Rules or to whom the Clearing House may be required by Chapter V of these Rules to disclose information;
- (f) the Clearing House may disclose and report any information at any time if so required pursuant to any requirement or request of any governmental, regulatory or other competent authority whether within or outside Hong Kong (including but not limited to the Commission, the Hong Kong Monetary Authority and the Inland Revenue Department of the Hong Kong government) or by or in accordance with the Tax Information Exchange Framework; and

- (g) the Clearing House may disclose on an aggregated and/or anonymised basis any information concerning or in connection with an HKCC Participant at any time, including disclosure to specified persons or to the public if so required for the Clearing House to comply with any local or international regulatory standards applicable to it.
220. (a) The surveillance of HKCC Participants' compliance with the HKCC Rules is performed by the Compliance Department at the request of the Clearing House. Accordingly any and all information relating to an HKCC Participant's business, trading and affairs will, subject to the HKCC Rules, be exchanged with the Exchange and HKEX.
- (b) Only the Managing Director, the Chairman or other senior staff of the Clearing House or HKEX authorized by the Managing Director or the Chairman shall be entitled to have access to information referred to the Clearing House by the Exchange or HKEX.
221. Except where (i) it is required by a court in Hong Kong or by applicable law, decree, regulation, rule, code, guidance, order, published practice or concession, judgment or decision of a governmental, regulatory or other competent authority so to do, or (ii) it is permitted under these Rules, neither the Clearing House nor any of its officers shall disclose any information to any person.

#### Commencement of clearing business

222. The Clearing House will notify HKCC Participants and the Commission of the date with effect from which a new HKCC Participant is entitled to register and clear Contracts by such means as the Clearing House thinks fit.

#### Limits on numbers

223. The Clearing House shall, at the direction of the Commission, prescribe a minimum number of HKCC Participants to apply in such manner and over such period as the Commission thinks fit; the Commission shall be entitled to issue directions pursuant to this paragraph if in its view the risk management (including management of the Reserve Fund) and other control systems of the Clearing House are deemed to be inadequate given the number of HKCC Participants.

#### Tax

224. The Clearing House shall make any payments due to an HKCC Participant net of any Withholding Tax (whether withheld by the Clearing House or any other parties), and the Clearing House shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax. The Clearing House shall be entitled to deduct Withholding Tax from payments to an HKCC Participant.

225. In the event that any payment made by an HKCC Participant to the Clearing House is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Withholding Tax, then the HKCC Participant shall pay to the Clearing House an amount, in addition to the payment to which the Clearing House is otherwise entitled, necessary to ensure that the net amount actually received by the Clearing House (free and clear of any such deduction or withholding for or on account of any such Withholding Tax), will be equal to the full amount the Clearing House would have received in the absence of any such deduction or withholding.
226. Each HKCC Participant shall indemnify the Clearing House, the Exchange, and a recognized exchange controller which is the controller of the Clearing House and keep the Clearing House, the Exchange, and a recognized exchange controller which is the controller of the Clearing House indemnified from and against any loss, cost (including cost of enforcement), interests, liability (including any tax or other fiscal liability), claim, damage, cost or expenses of whatever nature which the Clearing House, the Exchange, and a recognized exchange controller which is the controller of the Clearing House incurred or suffered in connection with any actions taken by the Clearing House or any actions that the Clearing House is required to take to comply with any obligations relating to the Tax Information Exchange Framework (or fails to take relating to Withholding Tax obligations) with respect to such HKCC Participant.

#### Appeal to the Participant Admission Appeals Committee

227. The Participant Admission Appeals Committee shall have 3 members, and all 3 members must attend the hearing to form a quorum. The three members shall be:
- (a) the chairman of the Participant Admission Appeals Committee who shall be an independent non-executive director of HKEX to be appointed by the chairman of HKEX;
  - (b) a director of the Board who is not involved in the day to day operations of the Clearing House to be appointed by the chairman of the Participant Admission Appeals Committee; and
  - (c) an independent non-executive director of HKEX to be appointed by the chairman of the Participant Admission Appeals Committee.
228. The Participant Admission Appeals Committee shall have a secretary to carry out any administrative functions.
229. If the Board refuses an application to admit as an HKCC Participant, the applicant may appeal to the Participant Admission Appeals Committee by

service of a notice in writing to the secretary within 14 Business Days of being notified of the Board's decision.

230. A notice of appeal shall set out the name of the appellant, the decision appealed against, the grounds of appeal, all material facts and attaching copies of all documents relevant to the appeal.
231. The appellant shall provide the Clearing House with all information for the application to admit as an HKCC participant before seeking to appeal against the rejection.
232. The appellant shall not seek to present to the Participant Admission Appeals Committee new information or evidence that was not previously submitted with its application to admit as an HKCC Participant.
233. If the secretary upon receipt of the appeal application discovers that the appellant seeks to adduce any new information, the secretary shall request the appellant to withdraw its appeal application and re-submit an application to admit as an HKCC Participant.

#### Participant Admission Appeals Proceedings by the Participant Admission Appeals Committee

234. The Participant Admission Appeals Committee shall fix a date for the hearing within 30 Business Days after receipt of the appellant's written application together with the information required under Rule 230 and the secretary shall notify the appellant of the date of hearing.
235. A notice under the above paragraph shall set out the time, date and place of the hearing and shall be delivered to the business address of the appellant by hand or by registered mail no later than 14 Business Days before the hearing.
236. The hearing will be held in private.
237. The appellant can attend the hearing by the personal attendance of an appropriate and authorised representative.
238. The appellant shall have the right to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee. If the appellant wishes to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee, it shall notify the secretary of the name of the solicitor and/or counsel representing it at least 7 Business Days before the hearing takes place.
239. The Participant Admission Appeals Committee may seek external legal representation at the hearing.

240. At least 3 Business Days before the hearing, the appellant shall provide the secretary with a list of all persons attending the hearing and the respective capacity in which such persons will attend the hearing.
241. If the appellant fails to attend the hearing before the Participant Admission Appeals Committee, the Participant Admission Appeals Committee hearing may proceed in the absence of the appellant and dispose of the matter in whatever manner as it sees fit.
242. The appellant and/or its legal representatives may make an oral presentation or submission before the Participant Admission Appeals Committee in the hearing. The Participant Admission Appeals Committee may ask any persons attending the hearing any questions relevant to the admission application.
243. At any hearing, the Participant Admission Appeals Committee may, at its full discretion, admit or reject any evidence adduced, whether oral or written, and attach such weight to the evidence as the Participant Admission Appeals Committee considers appropriate in its discretion.
244. The Participant Admission Appeals Committee will consider the evidence, written and oral, presented to it in coming to its decision. The secretary shall notify the appellant in writing of the decision of the Participant Admission Appeals Committee as soon as practicable and in any event no later than 30 Business Days after the hearing. The decision of the Participant Admission Appeals Committee shall be final and conclusive.