

## REGULATIONS FOR TRADING CURRENCY FUTURES CONTRACTS

### INTERPRETATION

- 001 These Regulations may be cited as the Regulations for trading Currency Futures Contracts (hereinafter referred to as the "Regulations").
- 002 The Exchange Rules and the Clearing House Rules (referred to collectively as the "Rules") including the definitions, rules of interpretation and administrative provisions shall apply for the purposes of these Regulations. Unless specifically provided otherwise, the terms and expressions set out below shall have the meanings attributed to them herein. In the event of any conflict or inconsistency between the Rules (other than these Regulations) and these Regulations, including the Contract Specifications (which form part of these Regulations), the Regulations shall in all cases prevail.

“Buyer”	an HKCC Participant registered as the buyer of a Currency Futures Contract pursuant to the Clearing House Rules;
“Contract Month”	in respect of any Currency Futures Contract, the month and year by which that contract is so designated by the Board for settlement under these Regulations and in which settlement of that contract must be made in accordance with these Regulations;
“Contract Size”	for any Currency Futures Contract, the size so designated in the applicable Contract Specifications;
“Contract Specifications”	those terms and conditions of a Currency Futures Contract as from time to time specified by the Board pursuant to Regulations 003 – 004;
“Contracted Price”	the price at which a Currency Futures Contract is registered by the Clearing House or, if different, the price as specified in the Contract Specification;
“Contracted Value”	the Contracted Price multiplied by the Contract Size;
“Currency Futures Contract”	an Exchange Contract subject to these Regulations;
“Currency Futures Market”	a Market subject to these Regulations;
“Final Settlement Day”	the day on which a Currency Futures Contract must be settled as specified in the

	Contract Specifications;
“Final Settlement Price”	the price as determined by the Clearing House pursuant to Regulation 011 or the Chief Executive pursuant to Regulation 012;
“Final Settlement Value”	the Final Settlement Price multiplied by the Contract Size or, if different, the price as specified in the Contract Specification;
"HKATS"	the Exchange's automated trading system, as defined in the Rules;
"Large Open Position"	the number of open Exchange Contracts determined by the Board to be a Large Open Position pursuant to Rule 628 of the Exchange Rules;
“Last Trading Day”	the last day of trading for a Currency Futures Contract as specified in the Contract Specifications;
“Maximum Fluctuation”	the maximum allowable movement in the price of any Currency Futures Contract per trading session above or below the last Closing Quotation or such reference price as may be specified by the Exchange from time to time;
“Minimum Fluctuation”	the minimum allowable movement in the price of any Currency Futures Contract as specified in the Contract Specifications;
“Mumbai Business Day”	means any day (other than a Saturday, Sunday or public holiday in Mumbai, India) during which banks in Mumbai, India, are open for business;
“Seller”	an HKCC Participant registered as the seller of a Currency Futures Contract pursuant to the Clearing House Rules;
"Settlement Currency"	(a) in respect of any Currency Futures Contract which is a cash settled contract for difference, the currency in which the Currency Futures Contract shall be settled, as specified in the Contract Specifications; and (b) in respect of any Currency Futures Contract which is a Physical Delivery Contract:
	(i) in the case of the Buyer, the Settlement Currency shall be the

currency in which the Currency Futures Contract shall be settled by the Buyer; and

- (ii) in the case of the Seller, the Settlement Currency for final settlement shall be the currency underlying the Currency Futures Contract which shall be delivered by the Seller and the Settlement Currency for payment of Clearing House margin, variation adjustment and any other form of margin or fees which may be imposed by the Clearing House or the Exchange shall be the currency in which the Currency Futures Contract is traded;

“Spot Month”

in a given month: (i) on day(s) prior to and on the Last Trading Day of that month, a Spot Month Currency Futures Contract refers to a Currency Futures Contract traded on such days that has a Last Trading Day in that same given month; and (ii) on the day after the Last Trading Day of that month, a Spot Month Currency Futures Contract refers to a Currency Futures Contract traded on such a day that has a Last Trading Day in the immediately following month;

“Tick Value”

the value of the Minimum Fluctuation multiplied by the Contract Size or, if different, the value as specified in the Contract Specification;

“Trading Hours”

such period or periods, approved by the Board, within a Trading Day in which trading in any or all Currency Futures Contracts occurs, as specified in the Contract Specifications; and

“Underlying Currency”

in respect of any Currency Futures Contract which is a Physical Delivery Contract, the currency underlying the Currency Futures Contract which shall be delivered by the Seller.

## **CONTRACT SPECIFICATIONS**

003 The terms and conditions for each Currency Futures Contract shall include, among other things:

- (a) Commission Rate;

- (b) Contract Months;
- (c) Contract Size;
- (d) Contracted Price;
- (e) Final Settlement Day;
- (f) Final Settlement Price;
- (g) Final Settlement Value;
- (h) Large Open Positions;
- (i) Last Trading Day;
- (j) Minimum Fluctuation;
- (k) Position Limits;
- (l) Price Quotation;
- (m) Settlement Currency;
- (n) Settlement Method;
- (o) Tick Value;
- (p) Trading Hours; and
- (q) Trading Method.

004 Contract Specifications for Currency Futures Contracts may be changed from time to time by the Board in consultation with the Commission. Exchange Participants shall be given notice of a change in the Contract Specifications prior to implementation of the change.

## **TRADING**

005 Bids and offers for Currency Futures Contracts shall be expressed in terms of a number in multiples of the Minimum Fluctuation. The Minimum Fluctuation shall be as prescribed in the Contract Specifications from time to time.

006 Trading in Currency Futures Contracts shall be carried out through HKATS in accordance with the Rules, these Regulations and the applicable Procedures.

007 The Currency Futures Market shall be open for trading in Currency Futures Contracts on every Trading Day subject to the Exchange Rules. Trading hours shall be as prescribed by the Board from time to time.

008 Subject to the Exchange Rules, trading in Currency Futures Contracts shall cease at the close of trading hours on the applicable Last Trading Day or at such other times as specified by the Board.

009 All disputes as to bids, offers, acceptances or withdrawals during trading sessions shall be governed by the Exchange Rules.

## **FINAL SETTLEMENT PRICE**

010 The Exchange shall, in conjunction with the Clearing House, announce the Final Settlement Price as soon as practicable after it has been determined.

011 Subject to Regulation 012, the Final Settlement Price of a Currency Futures Contract shall be determined by the Clearing House in accordance with the Contract Specifications.

- 012 If, in the opinion of the Chief Executive, circumstances are developing or have developed which are capable of preventing the calculation of a Final Settlement Price, or which may render a Final Settlement Price unrepresentative of the level of exchange rate of the underlying currency at the close of trading on the Last Trading Day, then the Chief Executive, after consultation with the Commission, may either on his own or in conjunction with the Clearing House take such steps as he deems appropriate to enable the Final Settlement Price to be determined.

## **SETTLEMENT**

- 013 Trading in Currency Futures Contracts which are cash settled contracts for difference shall be conducted in and confined to Exchange Contracts for the delivery, by cash settlement on the Final Settlement Day, of an amount in the Settlement Currency, equal to the difference between the Final Settlement Value and the Contracted Value of such Currency Futures Contracts.
- 014 (a) The obligations of the Buyer and the Seller under a Currency Futures Contract which is a cash settled contract for difference are as follows:-
- (i) If the Contracted Value is less than the Final Settlement Value, the Seller shall be liable to pay to the Clearing House the difference between that Contracted Value and the Final Settlement Value.
  - (ii) If the Contracted Value is greater than the Final Settlement Value, the Buyer shall be liable to pay to the Clearing House the difference between that Contracted Value and the Final Settlement Value.
- (b) The rights of the Buyer and the Seller under a Currency Futures Contract which is a cash settled contract for difference are as follows:-
- (i) If the Contracted Value is less than the Final Settlement Value, the Buyer shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Final Settlement Value.
  - (ii) If the Contracted Value is greater than the Final Settlement Value, the Seller shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Final Settlement Value.
- 015 The obligations and rights of the Buyer and the Seller of a Currency Futures Contract which is a cash settled contract for difference shall be satisfied by cash settlement of an amount, in the currency as specified in the Contract Specifications, by or with the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.
- 016 Trading in a Currency Futures Contract which is a Physical Delivery Contract shall be conducted in and confined to an Exchange Contract for the delivery by the Seller of the Underlying Currency and the payment by the Buyer of the Final Settlement Value in the Settlement Currency on the Final Settlement Day.
- 017 (a) The obligations of the Buyer and the Seller under a Currency Futures

Contract which is a Physical Delivery Contract are as follows:-

- (i) The Seller shall be liable to deliver to the Clearing House the Underlying Currency of the Currency Futures Contract according to the Contract Size.
  - (ii) The Buyer shall be liable to pay to the Clearing House the Final Settlement Value in the Settlement Currency.
- (b) The rights of the Buyer and the Seller under a Currency Futures Contract which is a Physical Delivery Contract are as follows:-
- (i) The Seller shall be entitled to receive from the Clearing House the Final Settlement Value in the Settlement Currency, which shall be the currency in which the Currency Futures Contract is traded.
  - (ii) The Buyer shall be entitled to receive the Underlying Currency of the Currency Futures Contract according to the Contract Size.

018 The obligations and rights of the Buyer and the Seller of a Currency Futures Contract which is a Physical Delivery Contract shall be satisfied by delivery of the Underlying Currency or payment of the Final Settlement Value to or by the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

## **SETTLEMENT CURRENCY AND CONVERSION RATES**

019 Where the currency in which a Currency Futures Contract is traded is different from the Settlement Currency, the amount required to be settled by an Exchange Participant on the Final Settlement Day shall, where applicable, be converted to the Settlement Currency equivalent. The conversion rate to be applied shall be determined by the Clearing House in accordance with the Contract Specifications. If the rate is unobtainable, or circumstances have arisen or are threatened which will prevent the determination of the conversion rate in accordance with the Contract Specifications, the Clearing House may, in its discretion, adjust or otherwise determine the conversion rate.

020 The Clearing House will promptly announce these rates after they are determined. Exchange Participants must use these rates for conversions at the Client account level.

## **REGISTRATION**

021 All Exchange Participants trading in Currency Futures Contracts shall comply with applicable Procedures. The Clearing House Rules shall govern the registration and clearing of Currency Futures Contracts.

## **MARGIN AND VARIATION ADJUSTMENTS**

022 Clearing House margin, additional margin and variation adjustments shall be set, collected or distributed in respect of Currency Futures Contracts in the

Settlement Currency in accordance with the Rules.

### **COMMISSION AND LEVIES**

- 023 (a) The rate of commission for each Currency Futures Contract shall be negotiable between an Exchange Participant and its Client.
- (b) Trading of Currency Futures Contracts shall be subject to an Exchange fee which shall become immediately payable to the Exchange upon registration of each Contract with the Clearing House. The Exchange fee shall be paid to the Exchange through the Clearing House and shall be set by the Board from time to time.
- (c) Any levies required to be paid pursuant to the Ordinance or the Contract Specifications in consequence of trading in Currency Futures Contracts shall be paid to the Exchange through the Clearing House in such manner as the Exchange shall, in consultation with the Commission, prescribe from time to time.

### **NON-COMPLIANCE**

- 024 An Exchange Participant which does not comply with these Regulations, the Rules and the applicable Procedures in any respect (including, without limitation, settlement with the Clearing House on the Final Settlement Day) shall be liable to disciplinary proceedings under the Exchange Rules.

### **LARGE OPEN POSITIONS**

- 025 (a) The Board shall specify Large Open Positions in the Contract Specifications as provided for in the Exchange Rules.
- (b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated Exchange staff as required by the Rules and the applicable Procedures.

### **POSITION LIMITS**

- 026 (a) The Chief Executive may impose Position Limits on Exchange Participants and their Clients as provided for in the Rules and such Position Limits shall be specified in the Contract Specifications.
- (b) Subject to Exchange Rules 629(e) and 630(e), the Chief Executive may, on a case-by-case basis, increase, decrease or remove the Position Limits imposed pursuant to the Rules by giving notice in writing to the Clearing House, the Exchange Participant and the Commission.
- (c) The Chief Executive shall not be required to give any reasons for his decision to increase, decrease or remove the Position Limits pursuant to the Rules.

- (d) Failure to comply with the Position Limits is governed by the Rules.
- (e) Subject to Exchange Rules 629(e) and 630(e), the Chief Executive may approve higher Position Limits for Market Makers.

*Note: The Commission may also impose contract limits under the Ordinance.*

#### **MAXIMUM FLUCTUATION**

- 027 The Chief Executive, after consultation with the Commission and the Exchange Board, may from time to time, specify a Maximum Fluctuation. Whenever a Maximum Fluctuation has been specified, trading can only occur at prices within the limit of the Closing Quotation from the last trading session or a reference price specified by the Exchange, plus or minus the Maximum Fluctuation.

#### **LIQUIDITY PROVISION**

- 028 Notwithstanding anything contained in the Rules, the Exchange may from time to time, in its absolute discretion, appoint Exchange Participants to provide liquidity for Currency Futures Contracts in the Currency Futures Market at any time and on such terms and conditions as the parties may agree. For the avoidance of doubt, the terms and conditions of any appointment, including the liquidity providing activities, the liquidity providing arrangements, the liquidity providing requirements, the Exchange Fee concessions and/or other incentives upon meeting the liquidity providing requirements, are subject to negotiation between the Exchange and the relevant Exchange Participant and may therefore vary among different appointments of different Exchange Participants.