

REGULATIONS FOR TRADING EXCHANGE FUND NOTE FUTURES (“EFN FUTURES”) CONTRACTS

INTERPRETATION

001 These Regulations may be cited as the Regulations for trading Exchange Fund Note Futures (“EFN Futures”) (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 an EFN Futures Contract pursuant to the Clearing House Rules;

“Contract Specifications” those terms and conditions of an EFN Futures Contract as from time to time specified by the Board pursuant to Regulations 004 – 005;

“Deliverable Exchange Fund Notes” Exchange Fund Notes eligible for final settlement as specified in the Contract Specifications;

“EFN Futures Contract” an Exchange Contract subject to these Regulations;

“EFN Futures Market” a Market subject to these Regulations;

“Final Settlement Day” the day on which an EFN 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 012 or the Chief Executive pursuant to Regulation 013;

“Final Settlement Value” the amount required to be paid by a Buyer on the Final Settlement Day in satisfaction of its settlement obligations, the calculation of which is specified in the Contract Specifications;

“Minimum Fluctuation” the minimum allowable movement in the price of any EFN Futures Contract as specified in the Contract Specifications;

“Seller”	an HKCC Participant registered as the seller of an EFN Futures Contract pursuant to the Clearing House Rules; and
“Spot Month EFN Futures Contract” and “Spot Month”	in a given month: (i) on day(s) prior to and on the Last Trading Day of that month, a Spot Month EFN Futures Contract refers to an EFN Futures Contract with 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 EFN Futures Contract refers to an EFN Futures Contract with a Last Trading Day in the immediately following Contract Month; and Spot Month shall be construed accordingly.

APPLICABLE RULES AND REGULATIONS

003 Trading in EFN Futures Contracts shall be subject to and governed by the Rules and these Regulations.

CONTRACT SPECIFICATIONS

004 The terms and conditions for each EFN Futures Contract shall include, among other things:

- (a) Commission Rate;
- (b) Contract Months;
- (c) Contract Size;
- (d) Contract Value;
- (e) Contracted Price;
- (f) Deliverable Exchange Fund Notes;
- (g) Final Settlement Day;
- (h) Final Settlement Price;
- (i) Final Settlement Value;
- (j) Large Open Positions;
- (k) Last Trading Day;
- (l) Minimum Fluctuation;
- (m) Position Limits;
- (n) Price Quotation;
- (o) Settlement Method;
- (p) Special Trading Session;
- (q) Trading Hours;
- (r) Trading Method; and
- (s) Underlying Contract.

005 Contract Specifications for EFN Futures Contracts may be changed from time to time by the Exchange 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.

- 005A Without prejudice to Regulation 005, in the event that the services of the Clearing House in respect of the settlement of EFN Futures Contracts on the Final Settlement Day and/or any of the 2 immediately preceding Trading Days are suspended in whole or in part for any reason, the Chief Executive may, in consultation with the Commission, postpone the Final Settlement Day to such date as he deems appropriate to ensure the proper and orderly settlement of EFN Futures Contracts. In the event that the Final Settlement Day is so postponed, the value date for calculating the Conversion Factor and the date for determining the Deliverable Exchange Fund Notes shall be the originally scheduled Final Settlement Day while the value date for calculating the Accrued Interest shall be the actual Final Settlement Day.

TRADING

- 006 Bids and offers for EFN Futures Contracts shall be expressed in multiples of the Minimum Fluctuation. The Minimum Fluctuation shall be as prescribed in the Contract Specifications from time to time.
- 007 Trading in EFN Futures Contracts shall be carried out through HKATS in accordance with the Rules, these Regulations and the applicable Procedures.
- 008 The EFN Futures Market shall be open for trading in EFN Futures Contracts on every Trading Day subject to the Rules. Trading hours shall be as prescribed by the Board from time to time. A Special Trading Session may be declared by the Chief Executive to coincide with potentially significant market events.
- 009 Subject to the Rules, trading in EFN 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.
- 010 All disputes in relation to EFN Futures Contracts shall be governed by the Rules.

FINAL SETTLEMENT PRICE

- 011 The Exchange shall, in conjunction with the Clearing House, announce the Final Settlement Price as soon as practicable after it has been determined.
- 012 Subject to Regulation 013, the Final Settlement Price of an EFN Futures Contract shall be a number determined by the Clearing House in accordance with the Contract Specifications.
- 013 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 prices at which underlying Exchange Fund Notes are traded on the Last Trading Day, then the Chief Executive, after consultation with the Commission, may on his own or in conjunction with the Clearing House, take such steps as he deems appropriate to enable a Final Settlement Price to be determined.

SETTLEMENT

- 014 The obligations of the Seller of an EFN Futures Contract shall be satisfied by physical delivery of Deliverable Exchange Fund Notes to a Buyer randomly assigned by the Clearing House via the delivery against payment facility of the Central Moneymarkets Unit of the Hong Kong Monetary Authority on the Final Settlement Day in accordance with the Clearing House Rules.
- 015 The obligations of the Buyer of an EFN Futures Contract shall be satisfied by effecting payment of the Final Settlement Value to a Seller randomly assigned by the Clearing House via the delivery against payment facility of the Central Moneymarkets Unit of the Hong Kong Monetary Authority on the Final Settlement Day in accordance with the Clearing House Rules.

REGISTRATION

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

MARGIN AND VARIATION ADJUSTMENTS

- 017 Clearing House margin, additional margin and variation adjustments shall be set, collected or distributed in respect of EFN Futures Contracts in accordance with the Clearing House Rules.

COMMISSION AND LEVIES

- 018 (a) The rate of commission for each EFN Futures Contract shall be negotiable between an Exchange Participant and its Client.
- (b) Every EFN Futures Contract shall be subject to an Exchange Fee which shall become immediately payable to the Exchange upon registration of the Contract with the Clearing House. The Exchange Fee shall be paid to the Exchange through the Clearing House and shall be set by the Exchange Board from time to time.
- (c) All levies required to be paid pursuant to the Ordinance in consequence of trading in EFN 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.

POSITION LIMITS

- 019 (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 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 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.

LARGE OPEN POSITIONS

- 020 (a) The Exchange 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 HKEX staff as required by the Rules and the applicable Procedures.

NON-COMPLIANCE

- 021 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.