

PREFACE

This preface is included to give a general explanation of the purpose of the Rules of Hong Kong Futures Exchange Limited ("the Exchange"). The preface does not form part of these Rules and does not affect the construction of these Rules.

The Exchange

The Exchange is a company limited by shares and incorporated in Hong Kong under the Companies Ordinance. With effect from the Scheme Effective Date, the Exchange and The Stock Exchange of Hong Kong Limited became wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited ("HKEX") by way of respective schemes of arrangements under section 166 of the Companies Ordinance.

Objects

The principal object of the Exchange is to establish and operate a commodity exchange or exchanges for the purpose of dealing in commodity, futures or options contracts in relation to agricultural commodities, metals, currencies, interest rates, indices or other financial contracts, energy or any other materials, substances or matter. The operation and management of the Exchange are governed by the Securities and Futures Ordinance, these Rules and the Regulations of the Exchange.

Exchange Participantship

Except otherwise authorized by the Exchange, every person who intends to trade on or through the facilities of the Exchange must hold a Futures Exchange Trading Right and be admitted as an Exchange Participant of the Exchange.

All Exchange Participants of the Exchange must be limited companies incorporated in Hong Kong. Every Exchange Participant must at all times comply with the Financial Resources Rules and satisfy all other requirements applicable to its category of Exchange Participantship from time to time prescribed by the Exchange.

Exchange Participantship of the Exchange is divided into four categories:-

1. Traders who are Exchange Participants who trade for their own account.
2. Brokers who are Exchange Participants who trade for their own account only. They may also act as Exchange Participants' agents for the sole purpose of concluding trades.
3. Futures Commission Merchants who are Exchange Participants who trade for their own account, for the account of other Exchange Participants and for the

account of other persons. Futures Commission Merchants must be limited companies.

4. Merchant Traders who are Exchange Participants who are substantial merchants in their own right in the financial or commodity fields and who trade for their own account. Merchant Traders must be limited companies.

Except as otherwise provided in the Rules, Regulations and Procedures of the Exchange, Exchange Participants will be permitted to trade in all the Markets operated by the Exchange.

Clearing

All Exchange Participants trading on or through the facilities of the Exchange must clear or procure the clearing of their trades through the Clearing House, which is a wholly-owned subsidiary of HKEX, the direct holding company of the Exchange. The Clearing House makes its own Regulations, whereby its Participants are categorised either as General Clearing Participants or Clearing Participants. Participants of the Clearing House are required to contribute to a reserve fund which is one of the resources available to provide financial support for the performance of all trades concluded on or through the facilities of the Exchange and to meet any defaults amongst Participants of the Clearing House. HKEX, the Exchange and the Clearing House together carry out all risk management functions.

Hong Kong Futures Exchange Limited