

REGULATIONS FOR TRADING METAL FUTURES CONTRACTS

INTERPRETATION

001 These Regulations may be cited as the Regulations for trading Metal 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.

"Approved Depository" in respect of a Physically Settled Metal Futures Contract, a depository for precious metals approved by the Clearing House and included on the list of Approved Depositories published by the Clearing House from time to time;

"Approved Depository Account Agreement" an agreement between an HKCC Participant and an Approved Depository containing such terms as the Clearing House may require;

"British Summer Time" the last Sunday of March to the last Sunday of October, which is the period when the United Kingdom is one hour ahead of Greenwich Mean Time;

"Buyer" an HKCC Participant registered as the buyer of a Metal Futures Contract pursuant to the Clearing House Rules;

"Cash Settled Metal Futures Contract" a Metal Futures Contract which specifies "Cash settled contract of difference" as the settlement method in the applicable Contract Specifications;

"Cash Settlement Value" in respect of any Cash Settled Metal Futures Contract, the Final Settlement Price multiplied by the Contract Size;

"Contract Month" in respect of any Metal Futures Contract, the month and year by which that contract is so designated by the Board for cash settlement or physical settlement under these Regulations and in which cash settlement or physical settlement of that contract must be made in accordance with these Regulations;

"Contract Size" for any Metal Futures Contract, the size so designated in the applicable Contract Specifications;

"Contract Specifications" those terms and conditions of a Metal Futures Contract as from time to time specified by the Board pursuant to Regulations 003 – 004;

"Contracted Price" the price at which a Metal Futures Contract is registered by the Clearing House;

“Contracted Value”	the Contracted Price multiplied by the Contract Size;
“Deliverable Metal”	in respect of any Physically Settled Metal Futures Contract, the metal underlying such contract which is to be delivered by the Seller to the Buyer;
“Delivery Agent”	in respect of a Physically Settled Metal Futures Contract, an HKCC Participant appointed as such by another HKCC Participant for the delivery of Deliverable Metal underlying such Physically Settled Metal Futures Contract for such other HKCC Participant under the terms of a Delivery Agreement;
“Delivery Agreement”	means an agreement between an HKCC Participant and its Delivery Agent containing such terms as may be specified by the Clearing House;
“Delivery Notice”	means any notice to be provided by a Seller under a Physically Settled Metal Futures Contract in a form prescribed and published by the Clearing House from time to time;
“Final Settlement Day”	the day on which a Metal 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”	in respect of any Physically Settled Metal Futures Contract, the final settlement value as specified in the Contract Specifications which is payable by a Buyer for the Deliverable Metal which is to be delivered to it by the relevant Seller;
“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 Metal Futures Contract as specified in the Contract Specifications;
“London Business Day”	for London Aluminium/ Zinc/ Copper/ Nickel/ Tin/ Lead Mini Futures, means any day during which the official settlement price for the relevant metal determined and published by The London Metal Exchange is available;
“Maximum Fluctuation”	the maximum allowable movement in the price of any Metal 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;

“Metal Futures Contract”	an Exchange Contract subject to these Regulations;
“Metal Futures Market”	a Market subject to these Regulations;
“Minimum Fluctuation”	the minimum allowable movement in the price of any Metal Futures Contract as specified in the Contract Specifications;
“Monthly Contract”	an Exchange Contract that has a term of one month;
“Non-delivery HKCC Participant”	in respect of a Physically Settled Metal Futures Contract, an HKCC Participant which neither has itself entered into, nor has entered into a Delivery Agreement with another HKCC Participant which has entered into, an Approved Depository Account Agreement with each of the Approved Depositories relating to the Deliverable Metal underlying such Physically Settled Metal Futures Contract;
“Physically Settled Metal Futures Contract”	a Metal Futures Contract which specifies “Physical Settlement” as the settlement method in the applicable Contract Specifications;
“Quarterly Contract”	an Exchange Contract that has a quarterly term starting in January, April, July or October;
“Recognized Assayer”	in respect of a Physically Settled Metal Futures Contract, an assayer for precious metals which is included on the list of Recognized Assayers published by the Exchange from time to time;
“Recognized Depository”	in respect of a Physically Settled Metal Futures Contract, a depository for precious metals which is included on the list of Recognized Depositories published by the Exchange from time to time;
“Recognized Forwarder”	in respect of a Physically Settled Metal Futures Contract, a transportation firm specializing in transporting precious metals which is included on the list of Recognized Forwarders published by the Exchange from time to time;
“Recognized Refiner”	in respect of a Physically Settled Metal Futures Contract, a precious metal refinery which is included on the list of Recognized Refiners published by the Exchange from time to time;
“Re-novated Contract”	has the meaning given to it in Rule 309A of the Clearing House Rules and “Contract Re-novation” shall be construed accordingly;
“Seller”	an HKCC Participant registered as the seller of a Metal Futures Contract pursuant to the Clearing House Rules;
“Settlement Currency”	in respect of any Metal Futures Contract, the currency in which the Metal Futures Contract shall be settled, as

specified in the Contract Specifications;

“Spot Month”

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

“Spot Quarter”

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

“Trading Hours”

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

CONTRACT SPECIFICATIONS

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

- (a) Cash Settlement Value (for Cash Settled Metal Futures Contracts only);
- (b) Commission Rate;
- (c) Contract Months;
- (d) Contract Size;
- (e) Contracted Price;
- (f) Contracted Value;
- (g) Final Settlement Day;
- (h) Final Settlement Price;
- (i) Final Settlement Value;
- (j) Large Open Positions;
- (k) Last Trading Day;
- (l) Maximum Fluctuation;
- (m) Minimum Fluctuation;
- (n) Position Limits;
- (o) Price Quotation;
- (p) Settlement Currency;
- (q) Settlement Method;
- (r) Trading Currency;
- (s) Trading Hours; and

(t) Trading Method.

004 Contract Specifications for Metal 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 Metal 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 Metal Futures Contracts shall be carried out through HKATS in accordance with the Rules, these Regulations and the applicable Procedures.

007 The Metal Futures Market shall be open for trading in Metal 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 Metal 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 Prices for Metal Futures Contracts shall be determined by the Clearing House in accordance with the Contract Specifications.

012 If, in the opinion of the Chief Executive, circumstances have developed which prevent the determination of a Final Settlement Price in accordance with the Contract Specifications, or which may render a Final Settlement Price unrepresentative of the price of the underlying metal in the Metal Futures Contract at the close of trading hours on the Last Trading Day, 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.

CASH SETTLEMENT

013 Trading in Cash Settled Metal Futures Contracts 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 Cash

Settlement Value and the Contracted Value of such Cash Settled Metal Futures Contracts.

- 014 (a) The obligations of the Buyer and the Seller under a Cash Settled Metal Futures Contract are as follows:-
- (i) If the Contracted Value is less than the Cash Settlement Value, the Seller shall be liable to pay to the Clearing House the difference between that Contracted Value and the Cash Settlement Value.
 - (ii) If the Contracted Value is greater than the Cash Settlement Value, the Buyer shall be liable to pay to the Clearing House the difference between that Contracted Value and the Cash Settlement Value.
- (b) The rights of the Buyer and the Seller under a Cash Settled Metal Futures Contract are as follows:-
- (i) If the Contracted Value is less than the Cash Settlement Value, the Buyer shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Cash Settlement Value.
 - (ii) If the Contracted Value is greater than the Cash Settlement Value, the Seller shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Cash Settlement Value.
- 015 The obligations and rights of the Buyer and the Seller of a Cash Settled Metal Futures Contract shall be satisfied by cash settlement of an amount, in the Settlement Currency, by or with the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

PHYSICAL DELIVERY

- 016 Trading in Physically Settled Metal Futures Contracts shall be conducted in and confined to Exchange Contracts for the delivery by the Seller of the Deliverable Metal and the payment by the Buyer of the Final Settlement Value on the Final Settlement Day.
- 017 After trading ceases on the Last Trading Day, open positions of Buyers in a Physically Settled Metal Futures Contract will be allocated to open positions of Sellers pursuant to a matching process in accordance with the Clearing House Rules. Subject to Regulation 018 below, each relevant F/O Contract of a Buyer and each relevant F/O Contract of a Seller registered with and novated to the Clearing House under the Clearing House Rules shall be novated and substituted with a Re-novated Contract which shall arise between the matched Buyer and the corresponding matched Seller in accordance with the Clearing House Rules. The creation of the Re-novated Contract shall simultaneously discharge and replace all rights and obligations between the Clearing House and the Buyer or Seller in respect of the F/O Contracts to which the re-novation relates. The Clearing House shall be fully and finally discharged and released from all its obligations as a central counterparty in respect of such contracts and the Re-novated Contract shall be settled between the matched Buyer and the corresponding matched

Seller.

- 018 Notwithstanding Regulations 016 and 017 above, if a Seller or a Buyer under a Physically Settled Metal Futures Contract is a Non-delivery HKCC Participant, and that Non-delivery HKCC Participant fails to close out or transfer its open position in that Physically Settled Metal Futures Contract before the System Input Cutoff Time of the Last Trading Day in respect of that Physically Settled Metal Futures Contract as required by Rule 606A of the Clearing House Rules, the open position of that Non-delivery HKCC Participant in that Physically Settled Metal Futures Contract will be included in the matching process referred to in the first sentence of Regulation 017 above. If, pursuant to such matching process, the open position of that Non-delivery HKCC Participant is allocated to the open position of any other HKCC Participant, Contract Re-novation in respect of the relevant F/O Contract(s) of that Non-delivery HKCC Participant and the HKCC Participant whose open positions have been allocated to each other shall not take place. In such circumstances, the delivery and payment obligations of the Clearing House under each F/O Contract with the Non-delivery HKCC Participant and the HKCC Participant whose open positions have been allocated to each other may be settled in cash as provided in section 2A.3.3 of the Clearing House Procedures and such payment shall constitute full and final settlement of the Clearing House's obligations under the relevant F/O Contract.
- 018A Exchange Participants shall have fair and transparent written procedures in place which disclose to their Clients how they intend to settle Client positions following the matching process referred to in Rule 017 above. In formulating such written procedures, the Exchange Participants shall make reference to the matching process set out in the Clearing House Rules and guidelines prescribed by the Exchange from time to time.
- 019 The obligations and rights of the Buyer and the Seller under a Physically Settled Metal Futures Contract (other than under a Physically Settled Metal Futures Contract in respect of which Contract Re-novation does not take place) shall be satisfied by delivery of the Deliverable Metal to the Buyer by the Seller and payment of the Final Settlement Value to the Clearing House by the Buyer and the release of such Final Settlement Value to the Seller on the Final Settlement Day in accordance with the Clearing House Rules.
- 020 Each Seller under a Physically Settled Metal Futures Contract (other than under a Physically Settled Metal Futures Contract in respect of which Contract Re-novation does not take place) makes the following warranties to the Buyer at the time that Contract Re-novation in relation to that Physically Settled Metal Futures Contract takes place (collectively, the "**Delivery Warranties**"):
- (a) it has good title to the Deliverable Metal that it delivers, and which is earmarked for delivery, under each Re-novated Contract, and such Deliverable Metal is, and will at the time of delivery to the Buyer be, free and clear from any encumbrance, lien, claim, mortgage, charge, security interest or any other interest of any nature whatsoever save for any liens or any rights as bailee of any Approved Depository in respect of such Deliverable Metal arising pursuant to the terms of any Approved Depository Account Agreement between an HKCC Participant and an Approved Depository;
 - (b) the Deliverable Metal that is earmarked for delivery and which it delivers under each Re-novated Contract complies in all respects with the applicable

Contract Specifications, the Clearing House Procedures, the Clearing House Rules and the Exchange Rules, including, without limitation, that such Deliverable Metal is of the prescribed weight, quality and fineness as specified in the Contract Specifications and is in the amount in aggregate, in respect of each Re-novated Contract, specified in the relevant Delivery Notice; and

- (c) all information provided by the Seller or its Delivery Agent to the Clearing House under section 2A of the Clearing House Procedures in connection with the delivery by the Seller or its Delivery Agent of Deliverable Metal, including all information contained in any Delivery Notice, is true, accurate and complete in all respects.

- 021 In respect of Physically Settled Metal Futures Contract (other than a Physically Settled Metal Futures Contract in respect of which Contract Re-novation does not take place), notwithstanding any other provision of these Rules or the Clearing House Rules, the Exchange makes no representation or warranty as to, and is under no obligation to investigate or verify that, any Deliverable Metal complies with the terms of these Rules, the Clearing House Rules, or any Re-novated Contract, including that such metal complies with the Delivery Warranties. The Exchange shall have no liability to any person of any nature whatsoever in connection with any dispute or claim relating to the delivery (or non-delivery) of Deliverable Metal, or that Deliverable Metal does not comply with the Delivery Warranties, these Rules, the Clearing House Rules or the terms of a Re-novated Contract.

SETTLEMENT CURRENCY AND CONVERSION RATES

- 022 Where the amount required to be settled by an Exchange Participant is not in the same currency as the Settlement Currency, it shall 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.
- 023 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

- 024 All Exchange Participants trading in Metal Futures Contracts shall comply with applicable Procedures. The Clearing House Rules shall govern the registration and clearing, and where applicable, the re-novation of Metal Futures Contracts.

MARGIN AND VARIATION ADJUSTMENTS

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

COMMISSION AND LEVIES

- 026 (a) The rate of commission for each Metal Futures Contract shall be negotiable between an Exchange Participant and its Client.
- (b) Trading of Metal 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 in consequence of trading in Metal 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

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

LARGE OPEN POSITION

- 028 (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 HKEX staff as required by the Rules and the applicable Procedures.

POSITION LIMITS

- 029 (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.

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

LIQUIDITY PROVISION

- 030 Notwithstanding anything contained in the Rules, the Exchange may from time to time, in its absolute discretion, appoint Exchange Participants to provide liquidity for Metal Futures Contracts in the Metal 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.

MAXIMUM FLUCTUATION

- 031 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.

CERTIFICATION AND SHIPMENT OF DELIVERABLE METALS

- 032 All Deliverable Metals must be certified as to quality and weight by a Recognized Refiner and must be accompanied by documentation issued by the HKCC Participant or its Recognized Forwarder evidencing that the Deliverable Metals have been shipped or otherwise transported to an Approved Depository by a Recognized Forwarder from another Approved Depository, a Recognized Assayer, Recognized Refiner or a Recognized Depository.

Deliverable Metals shall be placed into an Approved Depository accompanied by the information required by the Exchange and communicated to Exchange Participants and the Approved Depository.