CHAPTER 5

THE OPTIONS TRADING SYSTEM

General Provisions

500. (a) All transactions in Contracts effected through the Options Trading System, HKATS, shall be conducted in accordance with these Options Trading Rules, the Operational Trading Procedures, the Clearing Rules, the Operational Clearing Procedures, the Exchange Rules as well as other procedures and requirements from time to time specified by the Exchange, including those specified in the SEHK-HKATS Agreement, and shall be binding upon the parties to such Contracts.

(b) Prior to the establishment of an electronic connection ("connection") of an Options Trading Exchange Participant to HKATS, an SEHK-HKATS Agreement in a form prescribed by SEHK from time to time shall be entered into.

(c) Equipment and software which are required for connection to HKATS shall be specified by the Exchange or the Options System Operator from time to time.

(d) Each of the Exchange and the Options System Operator reserves the right to approve any equipment and software not specified by the Exchange or the Options System Operator in accordance with Options Trading Rule 500(c). In the event an Options Trading Exchange Participant wishes to use any equipment and software other than that specified by the Exchange or the Options System Operator, the Exchange or the Options System Operator may require prior to the connection that such equipment and software are thoroughly tested by the Options Trading Exchange Participant and determined by the Exchange and the Options System Operator not to have any detrimental impact on the operation of HKATS.

(e) The Exchange reserves the right to limit the number of connections per Options Trading Exchange Participant.

(f) Each of the Exchange and the Options System Operator reserves the right immediately to disconnect a connection and prohibit any person (whether an Options Trading Exchange Participant or not) from having access to HKATS on such conditions as the Exchange or the Options System Operator thinks fit.

(g) Options Trading Exchange Participants shall install all applicable software specified by the Exchange or the Options System Operator in the latest version in force together with system program software in the latest version specified by the Exchange or the Options System Operator. Options Trading Exchange Participants shall not alter, modify, reverse, change or copy program supplied by the Exchange or the Options System Operator without the Exchange or the Options System Operator's prior written permission.

(h) Options Trading Exchange Participants shall grant the Exchange and the Options System Operator access for the inspection of equipment connected to or software installed on HKATS. Such inspections shall take place wherever practicable at

an agreed time and in the presence of the Options Trading Exchange Participant in question.

(i)   The cost for the requisite equipment supplied by the Exchange or the Options System Operator and the installation and maintenance thereof shall be borne by the Options Trading Exchange Participant.

(j)   Options Trading Exchange Participants shall ensure that a technical contact person or a system contact person is available at the registered business address of the Options Trading Exchange Participant or such other location as approved by the Exchange or the Options System Operator during the hours when Options Contracts are available for trading on HKATS as well as one hour beforehand and one hour thereafter.

(k)   An Options Trading Exchange Participant shall be liable for all orders and Options Contracts arising from its connection to HKATS and recorded in the Central Orderbook and the Transaction Register respectively of HKATS or other consequences resulting from the use of the Options Trading Exchange Participant's connection, regardless of whether or not such consequences resulted from the use of such connection by its Authorized Persons.

(l)   An Options Trading Exchange Participant shall follow such security procedures pertaining to the connection to HKATS as are from time to time specified by the Exchange or the Options System Operator.

(m)   An Options Trading Exchange Participant shall notify the Exchange and the Options System Operator immediately if it becomes aware of or if its trading activities are affected by any disruptions whether technical or otherwise.

(n)   The Exchange and the Options System Operator may from time to time prescribe procedures which may impose such requirements on Options Trading Exchange Participants as to the operation of and access to HKATS as the Exchange and the Options System Operator may think fit.

(o)   The placing and revocation of orders and trading activity generally in HKATS will occur anonymously amongst Options Trading Exchange Participants. However, the identity of Options Trading Exchange Participants may be disclosed at the absolute discretion of the Exchange where it is considered appropriate.

(p)   The Exchange may charge each Options Trading Exchange Participant fees for access to, and use of, HKATS.

(q)   All terms of the Contracts arising pursuant to these Options Trading Rules and the Clearing Rules shall be binding upon the parties to those Contracts.

(r)   The Exchange may, at any time, prescribe new option series and make them available for trading in HKATS.

500A. [Repealed]

Access to the Options Trading System

501.   Except as otherwise authorized by the Board, all trading of Options Contracts must be carried out on HKATS via an Options Trading Exchange Participant's connection.

501A.   [Repealed]

501B.   An Options Trading Exchange Participant shall ensure that all persons having access to HKATS through its connection or any connection granted through the Options Trading Exchange Participant shall exercise due care in operating HKATS and that HKATS is operated, and orders and give-up instructions are entered, amended or cancelled, in accordance with the procedures and guidelines from time to time prescribed by the Exchange or the Options System Operator.

502.   [Repealed]

503.   [Repealed]

504.   Each Options Trading Exchange Participant must implement procedures to ensure that no person who logs on to and uses HKATS at any of its registered business addresses will:-

(1)   use HKATS for any illegal purpose or for any purpose other than the execution and clearing of Options Contracts or such other purposes as the Exchange may prescribe from time to time;

(2)   use HKATS other than in such manner as the Exchange may prescribe from time to time;

(3)   sell or otherwise impart or disclose any information (whether in digital form or otherwise) obtained through or from HKATS to any third party or in any way use such information other than in the ordinary course of Exchange Traded Options Business of such Options Trading Exchange Participant;

(4)   in any way interfere, tamper with or interrupt the normal operation, or damage the integrity, of HKATS; or

(5)   attempt to gain access to the computer facilities of HKATS or the computer files of any other Options Trading Exchange Participant or to extract any information from HKATS save as permitted pursuant to these Options Trading Rules and the Operational Trading Procedures.

504A.   An Options Trading Exchange Participant shall be fully responsible and liable for any unstable condition, breakdown or damage to HKATS or the Options Trading Exchange Participant's HKATS workstations as a result of any unauthorized usage of HKATS by the Options Trading Exchange Participant or as a result of any non-compliance by its Authorized Persons with Options Trading Rule 501B.

504B.   The Chief Executive or the Options System Operator may forbid any person (whether an Options Trading Exchange Participant or not) from accessing or using HKATS and may suspend, revoke or limit such access or use for the purpose of ensuring the proper

operation of the markets operated thereunder. Any person who in the opinion of the Chief Executive or the Options System Operator is in breach of Options Trading Rule 504 may be prohibited from accessing or using HKATS or be allowed to access or use HKATS only on such terms and for such period as the Chief Executive or the Options System Operator thinks fit.

505. Each Options Trading Exchange Participant must at all times have arrangements in place to ensure that all orders transmitted to HKATS through its connection or any connection granted by the Exchange through the Options Trading Exchange Participant are subject to Prescribed Risk Controls and other appropriate risk controls and functions.

Establishment of Prescribed Risk Controls in HKATS

506. Without prejudice to the right of the Exchange under Rule 518B, an Options Trading Exchange Participant shall establish, monitor and implement and if it is an NCP, enable the GCP which clears its trades to establish, monitor and implement Prescribed Risk Controls using the HKATS Risk Functions for the Options Trading Exchange Participant itself and its Authorized Persons and any other person who is allowed to trade through HKATS via the Options Trading Exchange Participant's connection or any connection granted by the Exchange through the Options Trading Exchange Participant. An Options Trading Exchange Participant acknowledges that orders entered into HKATS shall be subject to, and may be blocked or cancelled by the Authorized Person as part of such Prescribed Risk Controls, including the blocking or cancellation of orders by its GCP if it is an NCP.

506A. An Options Trading Exchange Participant shall implement adequate procedures to ensure that all persons having access to HKATS through its connection or any connection granted through the Options Trading Exchange Participant comply with such Prescribed Risk Controls as are applicable to them and will not use HKATS Risk Functions for any purpose other than Prescribed Risk Control purposes.

506B. An Options Trading Exchange Participant shall notify the Exchange 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 Exchange from time to time.

506C. An Options Trading Exchange Participant is responsible for the Prescribed Risk Controls that are set upon it. The Exchange, SEOCH, and a recognized exchange controller of the Exchange shall in no case be liable for the sufficiency or effectiveness of such Prescribed Risk Controls or any failure or unavailability of, or error or defect in the HKATS Risk Functions.

Adjustments to Contracts ("Capital Adjustments")

507. Where there is a change in the capital structure or composition of the issuer of the underlying securities of an option class or in any other exceptional circumstances, the Exchange may make adjustments to the terms of the Contracts of an option series in accordance with the Operational Trading Procedures. An Options Exchange Participant shall ensure that all clients affected by such adjustments are notified of the details of the adjustments no later than the next Business Day after such adjustments

have been announced. Every Options Broking Agreement shall contain an acknowledgement, in this regard, of the Exchange's authority under these Options Trading Rules and the Clearing Rules.

508. [Repealed]

Recording of Orders and Quotes

509. Each order shall be validly entered into HKATS at the time when it has been recorded in the Central Orderbook of HKATS relating to the option series in respect of which the order was entered.

510. Except as otherwise determined by the Board in its absolute discretion, the recorded details of each order maintained in the Central Orderbook of HKATS shall be conclusive evidence of the terms of each order entered into HKATS. No other evidence shall be admissible or otherwise recognized by any person in relation to determining whether an order has been entered into HKATS or in relation to determining the terms of any such order.

511. Except as otherwise determined by the Exchange, no Options Trading Exchange Participant shall, apart from an ability to check its own orders through HKATS, be entitled to have access to any information stored in the Central Orderbook of HKATS or be able to enquire as to, or be entitled to discover, the identity of any person who has entered an order into the Central Orderbook.

512. Options Trading Exchange Participants may, at any time during trading hours, enter quote requests into HKATS, in response to which Market Makers will (subject to, and in accordance with, Chapter 6 and the Second Schedule to these Options Trading Rules) be obliged to respond.

Recording of Trades

513. One or more Options Contracts shall be executed at the time when an order in respect of an option series is matched by HKATS with another order in respect of that option series and the details of such matched orders are recorded in the Transaction Register of HKATS. Immediately upon such recording, Options Contracts shall unless otherwise determined by the Exchange be subject to a process of substitution and/or novation which gives rise to OCH Contracts and/or NCP Contracts as more particularly described in the Clearing Rules. Notwithstanding the foregoing, no Block Trade recorded in the Transaction Register of HKATS shall be registered with SEOCH or subject to the process of substitution and/or novation until SEOCH is satisfied that the recorded Block Trade is a valid Block Trade and all criteria applicable to the Block Trade have been satisfied. Unless an Options Trading Exchange Participant receives any oral or written notice from the Exchange or SEOCH that a Block Trade is not valid or not all criteria applicable to the Block Trade have been satisfied or that the Block Trade will not be registered with SEOCH for any reason, the Block Trade shall be deemed to be registered with SEOCH and subject to the process of substitution and/or novation in accordance with the Clearing Rules immediately upon the recording of such Block Trade in the Transaction Register of HKATS. The Exchange will endeavour to notify the Options Trading Exchange Participant of any issue concerning any criteria set forth

in Regulation 2 of the Third Schedule to these Options Trading Rules within 30 minutes of the execution by the Options Trading Exchange Participant of the Block Trade.

513A. In the event that an Options Trading Exchange Participant has been notified by the Exchange or SEOCH that a Block Trade executed by an Options Trading Exchange Participant on HKATS is not valid or has not satisfied all the criteria applicable to the Block Trade or the Block Trade will not be registered or cleared by SEOCH for any reason or in the event that the Options Trading Exchange Participant or its GCP (if the Options Trading Exchange Participant is an NCP) fails to deposit any Special Block Trade Margin required by SEOCH by the stipulated time, the Exchange in conjunction with SEOCH will, without being required to give further notice to the Options Trading Exchange Participant or its GCP, delete the Block Trade from the Options System as if the Block Trade had never been executed.

514. The recorded details of Options Contracts maintained in the Transaction Register of HKATS, or such other record as the Exchange may, in its sole discretion, accept, together with the Standard Contract, shall be conclusive evidence of the terms of each Options Contract.

515. On the written request of an Options Trading Exchange Participant, the Board may make available a printed copy of the Transaction Register of HKATS covering such period of time and containing such recorded details of Options Contracts resulting from matched orders made by that Options Trading Exchange Participant as the Board shall think fit.

516. The Board may charge such fees for each such printed copy of the Transaction Register as it shall think fit.

516A. Except as otherwise permitted by the Exchange, no Options Trading Exchange Participant shall, apart from the ability to check details of its own Options Contracts executed through HKATS have access to any information stored in the Transaction Register regarding the identity of any person who has executed an Options Contract recorded in the Transaction Register.

517. Following any novation or discharge of a Contract as provided in these Options Trading Rules or the Clearing Rules, the rights and obligations of the parties to that Contract under that Contract shall be completely discharged and of no further force or effect.

Matching and Ranking of Orders in HKATS

517A. The principle underlying the matching and ranking of orders processed by HKATS involves the application of a strict price/time priority methodology, which prioritizes orders based firstly on the best price and secondly by the time the order is processed by HKATS.

Rules for Order Entry

518. All orders must be entered into HKATS by Options Trading Exchange Participants in accordance with these Options Trading Rules, the Operational Trading Procedures and such rules, regulations and procedures as may from time to time be prescribed by the Exchange or the Options System Operator.

518A. Each Options Trading Exchange Participant shall ensure that each client order is associated with a price limit.

518B. The Exchange may from time to time prescribe a maximum size limit for each order that may be entered into HKATS by an Options Trading Exchange Participant. Such order size limit may be prescribed by the Exchange in relation to any option class, any group of Options Trading Exchange Participants or in relation to any particular Options Trading Exchange Participant. Orders entered into HKATS which exceed the prescribed order size limit will be rejected by HKATS.

519. Every order which is entered into HKATS must specify whether the resulting Contract is to be allocated to the Client Account or to the House Account (in all other cases) of the Options Trading Exchange Participant and, where possible, whether the resulting Contract is to be an opening contract or a closing contract. Any Contract specified as a closing contract for which at the time of matching under Options Trading Rule 513, there exists no open position in the same option series in the account to which that Contract was to be allocated, shall be treated as an opening contract. In addition, every order which is entered into HKATS must specify such information as may, from time to time, be specified in the Operational Trading Procedures. Every Options Trading Exchange Participant must ensure that all such specifications are correct.

520. A Client Contract resulting from an Options Contract entered into by an Options Trading Exchange Participant on the instructions of an affiliate of that Options Trading Exchange Participant shall be recorded in the House Account of that Options Trading Exchange Participant, unless the affiliate is acting on the instructions of a client, and unless otherwise determined by the Exchange. Regardless of whether allocation is made to the House Account or the Client Account, once the Options Contract has been validly made by the Options Trading Exchange Participant a Client Contract shall arise between it and its affiliate pursuant to Options Trading Rule 411, and for all other purposes of these Options Trading Rules it shall be treated as a Client Contract.

521. If an Options Trading Exchange Participant becomes aware that any order entered into HKATS incorrectly specified the account to which a resulting Contract was to be allocated or whether the resulting Contract was to be an opening or closing contract, that Options Trading Exchange Participant shall, if it becomes so aware on the trading day the order was entered but before it was matched on HKATS, correct the order specification on HKATS before market close on that trading day or during trading hours or the Pre-Trading Period (as defined in the Operational Trading Procedures) on the following trading day and thereafter. No Options Trading Exchange Participant shall use this specific HKATS function unless the incorrect order specification was genuinely entered by mistake. The Exchange may demand evidence to justify the use of this HKATS function including requiring the Options Trading Exchange Participant to show the appropriate time stamp record maintained. If any such correction is made, its terms shall, by operation of this Options Trading Rule, be binding on all parties to all Contracts so affected.

522. An Options Trading Exchange Participant shall ensure that where a Client Contract is recorded as effecting the closing of another Client Contract, whether in the House Account or Client Account, the two Options Contracts should be in respect of the same client.

522A. Notwithstanding Options Trading Rules 501 and 501B, an Options Trading Exchange Participant may install computer software which permits its clients or its affiliates to enter instructions directly into HKATS for the purpose of entering, amending and removing orders, provided an Authorized Person first logs on to HKATS and the orders are processed using the same HKATS Username. An Options Trading Exchange Participant shall obtain prior approval from the Exchange or the Options System Operator before using such software. The Exchange and the Options System Operator may from time to time impose conditions on its use, including at any time prohibiting its use by one or more Options Trading Exchange Participants. All orders and Options Contracts arising therefrom which are processed using such software are subject to the Exchange Rules and these Options Trading Rules, including, but not limited to, Options Trading Rule 500(k).

Amendment and Cancellation of Orders

522B. An Options Trading Exchange Participant may amend and cancel any order which has been entered into the Central Orderbook of HKATS on behalf of a client or itself provided that the amendment or cancellation is made in compliance with the instructions of that client or the Options Trading Exchange Participant, as the case may be, and in accordance with the order number designated in respect of that particular order. The Exchange shall permit the amendment or cancellation of an order in accordance with the Operational Trading Procedures. Notwithstanding any provisions in the Operational Trading Procedures which limit the amendment or cancellation of orders to specified time periods, inactive orders of clients or the Options Trading Exchange Participant may be amended or cancelled at any time provided that the amendment or cancellation is made in compliance with the instructions of clients or the Options Trading Exchange Participant, as the case may be.

Trade and Position Corrections

523. If an Options Trading Exchange Participant does not become aware of an incorrect order specification referred to in Options Trading Rule 521 until after the order was matched on HKATS resulting in an Options Contract, that Options Trading Exchange Participant shall, upon becoming so aware, make or, if it is an NCP, instruct the GCP that was designated to clear such Contract to make, an appropriate adjustment in DCASS in accordance with and by the time specified in the Operational Clearing Procedures. The Options Trading Exchange Participant shall provide such information to SEOCH as may be requested. If any such adjustment is made, its terms shall, by operation of this Options Trading Rule, be binding on all parties to all Contracts so affected.

523A. If an Options Broker Exchange Participant becomes aware that an incorrect order specification as referred to in Options Trading Rule 521 has been entered and that order has resulted in an Options Broker Client Contract, that Options Broker Exchange Participant shall immediately instruct the Options Trading Exchange Participant which is the counterparty to that Options Broker Client Contract to make the appropriate corrections or notifications pursuant to Options Trading Rule 521 or 523 as applicable.

Give-Ups

524. If, prior to the start of the After Business Period on the same trading day or the trading day following that on which an order was matched and a Client Contract arose pursuant to Options Trading Rule 411, the client requests the Options Trading Exchange Participant to give-up the Client Contract to another Options Trading Exchange Participant agreed with the client, the Options Trading Exchange Participant may request (if it is a SEOCH Participant) or instruct its designated GCP to request (if it is an NCP), by using the specific DCASS functions designated for this purpose, the other Options Trading Exchange Participant to accept such give-up in accordance with and by the time specified in the Operational Clearing Procedures. This give-up request shall only be made by a SEOCH Participant if a client so requests and SEOCH may demand evidence to substantiate the existence of such a request on any occasion when it is used.

525. If, on or after the second trading day following that on which an order was matched and a Client Contract arose pursuant to Options Trading Rule 411, the client requests the Options Trading Exchange Participant to transfer positions arising from such Client Contract to another Options Trading Exchange Participant agreed with that client, that Options Trading Exchange Participant may request (if it is a SEOCH Participant) or instruct its designated GCP to request (if it is an NCP) SEOCH to effect such transfer in accordance with and by the time specified in the Operational Clearing Procedures. Such transfer request is subject to the approval of SEOCH and SEOCH may demand evidence to substantiate the existence of such a request on any occasion when it is made.

525A. An Options Broker Exchange Participant may, with the consent of the Exchange, transfer all outstanding Options Broker Client Contracts from one Options Trading Exchange Participant to another Options Trading Exchange Participant by requesting the first Options Trading Exchange Participant to give-up the Options Broker Client Contracts and to close the Omnibus Account maintained for the Options Broker Exchange Participant. Unless otherwise approved by the Exchange, the second Options Trading Exchange Participant shall not accept the give-up unless and until the requirements of Options Trading Rule 401A have been complied with as between that Options Trading Exchange Participant and the Options Broker Exchange Participant.

525B. A client of an Options Broker Exchange Participant may request an Options Broker Exchange Participant to give-up a Client Contract arising pursuant to Options Trading Rule 411A(b).

526. If a give-up is accepted by the other Options Trading Exchange Participant under Options Trading Rules 524 and 525, the following provisions shall apply:

(1) The Client Contract between the Options Trading Exchange Participant that is a SEOCH Participant and that requested SEOCH to effect the give-up and its client shall, by operation of the Options Client Agreement and this Options Trading Rule, immediately be replaced by novation with a new Client Contract on identical terms to the original Client Contract, between the Options Trading Exchange Participant which accepted the give-up and that client, as principals to that new Client Contract.

(2)   (a)   The Client Contract between the Options Trading Exchange Participant that is an NCP and that requested its designated GCP to request SEOCH to effect the give-up and its client; and

        (b)   the NCP Contract matching the Client Contract between such Options Trading Exchange Participant and its designated GCP shall be treated for all purposes as cancelled and substituted by a Client Contract between the Options Trading Exchange Participant which accepted the give-up and the client, as principals to that new Client Contract on the same terms as the Client Contract which has been cancelled.

526A.   If a client of an Options Broker Exchange Participant requests that the Options Broker Exchange Participant give-up a Client Contract to another Options Exchange Participant which agrees to accept such give-up, the following provisions shall apply:

(1)   If the give-up is to the Options Trading Exchange Participant with whom the Options Broker Exchange Participant has entered into an Options Broker Client Contract matching the Client Contract, the Client Contract and Options Broker Client Contract shall be treated for all purposes as cancelled and substituted by a Client Contract between the Options Trading Exchange Participant and the client, on the same terms as the Client Contract which has been cancelled.

(2)   If the give-up is to another Options Trading Exchange Participant, the Options Broker Exchange Participant shall request the Options Trading Exchange Participant with whom it has entered into an Options Broker Client Contract matching the Client Contract, to give-up that Options Broker Client Contract and that Options Trading Exchange Participant shall accept such request. The effect of any such give-up will be for the aforementioned Client Contract and Options Broker Client Contract to be cancelled and substituted by a Client Contract between the accepting Options Trading Exchange Participant and the client, on the same terms as the Client Contract which has been cancelled.

(3)   If the give-up is to another Options Broker Exchange Participant (the "accepting Options Broker Exchange Participant"), the first Options Broker Exchange Participant shall request the Options Trading Exchange Participant with whom it has entered into an Options Broker Client Contract matching the Client Contract to give-up that Options Broker Client Contract and that Options Trading Exchange Participant shall accept such request. If the Options Trading Exchange Participant operates an Omnibus Account for the accepting Options Broker Exchange Participant, the Options Broker Client Contract shall be cancelled and substituted by an Options Broker Client Contract, on identical terms, between the accepting Options Broker Exchange Participant and the Options Trading Exchange Participant. If the accepting Options Broker Exchange Participant has an Omnibus Account with another Options Trading Exchange Participant, which agrees to accept the give up, the Options Broker Client Contract shall be cancelled and substituted by an Options Broker Client Contract, on identical terms, between the accepting Options Broker Exchange Participant and that Options Trading Exchange Participant. In either case, when the Options Broker Client Contract is given-up, the matching Client Contract shall be cancelled and substituted by a Client Contract between the accepting

Options Broker Exchange Participant and the client, on the same terms as the Client Contract which has been cancelled.

527. If, on or after the second trading day following that on which an order was matched and an NCP Contract arose, the NCP party to that Contract requests a transfer of positions arising from such NCP Contract to another GCP agreed with that NCP, the NCP may instruct its designated GCP to request SEOCH to effect such transfer in accordance with and by the time specified in the Operational Clearing Procedures. Such transfer request is subject to the approval of SEOCH and SEOCH may demand evidence to substantiate the existence of such a request on any occasion when it is made.

528. Except in the case where the Options Exchange Participant requesting a give-up is in default pursuant to Chapter 7 of these Options Trading Rules, an Options Exchange Participant shall not accept a give-up until it has entered into an Options Client Agreement or an Options Broking Agreement, as the case may be, with the client who has requested the give-up, and in the case of accepting NCP Contracts shall not accept a give-up until after it has entered into a Clearing Agreement with the NCP that requested the give-up.

Block Trades

529. The Board may in its absolute discretion from time to time impose requirements or restrictions in relation to the ability of Options Trading Exchange Participants to enter into Block Trades, as more particularly described in the Third Schedule to these Options Trading Rules.

Contractual Relationships

530. Each Options Contract validly made on HKATS shall constitute a contract between the Options Trading Exchange Participants whose orders have been matched by HKATS.

531. In all Contracts to which an Options Exchange Participant is party, the Options Exchange Participant shall (whether or not it may, for purposes other than those of these Options Trading Rules and the Clearing Rules, be an agent of another) contract as principal and shall accordingly be personally bound by, and entitled under, such Contracts. For removal of doubt, SEOCH shall not in any manner contract with the clients of Options Trading Exchange Participants, including clients which are Options Broker Exchange Participants. No course of dealing or agreement between any persons shall give rise to any contrary presumption or lead to any contrary conclusion.

NCPs and GCPs

532. The Exchange may impose limits on the number of Clearing Agreements into which an NCP may enter.

533. An NCP must, if it is party to more than one Clearing Agreement, designate the GCP through whom any resulting OCH Contract is to be cleared.

534. Each NCP unconditionally and irrevocably consents to the creation, exercise, settlement and discharge of NCP Contracts made pursuant to the Options Trading Rules and the Clearing Rules and agrees to be bound by the terms and conditions of all NCP

Contracts and Clearing Agreements to which it is party (to the extent that any such Clearing Agreement is consistent with the Options Trading Rules and the Clearing Rules). Upon an OCH Contract representing an underlying NCP Contract being validly exercised, delivery obligations shall arise. Each NCP agrees that delivery obligations arising under an NCP Contract shall be performed by it in accordance with the Operational Clearing Procedures and in a manner which enables its designated GCP to perform its delivery obligations under an OCH Contract exercised in the same option series.

535. Each NCP agrees to be bound by the Clearing Rules in so far as the Clearing Rules are capable of being construed as applicable to the Exchange Traded Options Business carried on by it.

536. After the start of the After Business Period on each trading day, each GCP shall calculate margin in respect of all open positions and delivery obligations of each of its NCPs. The margin so calculated in respect of each NCP shall be no less than the amount calculated in accordance with the methodologies prescribed by the Exchange from time to time and described more particularly in the Operational Trading Procedures.

537. A GCP shall demand, and the NCP shall deliver, SEOCH Collateral of a type suitable to the GCP and of an amount no less than the margin calculated for that NCP pursuant to Options Trading Rule 536. The GCP may demand such additional SEOCH Collateral as it sees fit, having regard to the Exchange Traded Options Business being or proposed to be transacted by the NCP and the NCP's expected Exchange Traded Options Business liabilities.

538. Every GCP must monitor the ability of each NCP with whom it has entered into a Clearing Agreement to satisfy promptly all demands for SEOCH Collateral in respect of margin, all demands for Premium and all delivery obligations. A GCP must forthwith notify the Exchange of any failure by any such NCP to meet those demands or obligations, identifying the NCP concerned.

539. A GCP shall not extend any credit or other financial accommodation or give any rebate of any kind to any NCP on whose behalf it accepts Contracts for clearing for the purpose, or which has the effect, of circumventing or evading the margin requirements set out in Options Trading Rule 537.

539A. Each NCP shall give prior notice to the Exchange in writing of the termination of its Clearing Agreement with the GCP through whom any resulting OCH Contract is cleared before it is actually terminated, unless the GCP has already given notice to terminate the Clearing Agreement to SEOCH in accordance with the Clearing Rules.

Error Trades

540. If a trade takes place on HKATS at a level which deviates from the price parameters from time to time established by the Exchange and notified to Options Trading Exchange Participants (the "Price Parameters"), the Exchange will entertain any claim from an original party to the trade that the price was in error. Unless such claim forms part of a claim for Large-Scale Error Trades (having the meaning assigned to it in

Options Trading Rule 540A), it shall be entertained only in accordance with the following procedures:

(1)   Any claim that a trade took place at a level which deviated from the Price Parameters, and was an error ("Error Trade"), shall be brought to the attention to the Exchange by any original party to the trade no later than thirty minutes after the time of the trade in such manner and form as may be prescribed by the Exchange from time to time. Upon receipt of such notification, the Exchange shall immediately broadcast an alert on HKATS that the trade is claimed to be an error and may be subject to cancellation.

(2)   If the parties to the Error Trade consent within 10 minutes after the alert is broadcast, and if no objection from any other Options Trading Exchange Participant is brought to the attention of the Exchange within 10 minutes after the alert is broadcast, the Error Trade will be cancelled in accordance with paragraph (6) of this Rule.

(3)   If within 10 minutes after the alert is broadcast, the parties to the Error Trade do not consent to its cancellation, or if an objection from any other Options Trading Exchange Participant is brought to the attention of the Exchange, or if not all the parties to the Error Trade can be contacted, a special HKATS Error Trade Review Panel ("Panel") shall be convened immediately. The Panel shall review relevant information and decide within 10 minutes after it is convened (unless this is impractical) whether or not the claimed Error Trade shall be cancelled in accordance with paragraph (6) of this Rule. Any such decision shall be binding on all parties to the Error Trade and shall be broadcast on HKATS as soon as it is made.

(4)   The Panel shall consist of such members of HKEX staff, selected by the Chief Executive, from a list approved by the Chief Executive from time to time. The Panel, in reaching its decision, may consider all relevant facts, including market conditions before, during, and after the transaction occurred; and whether one or more parties to a multiple counterparty trade believe the trade is valid.

(5)   There shall be no appeal from the Panel's decision for any reason.

(6)   Within 30 minutes after any mutual consent to the cancellation of an Error Trade pursuant to paragraph (2) of this Rule, or any decision by the Panel that an Error Trade should be cancelled pursuant to paragraph (3) of this Rule, each party to the Error Trade shall complete and submit to the Exchange by facsimile or by hand a form prescribed by the Exchange from time to time in respect of the cancellation. If the Exchange does not receive the relevant form within the 30 minute time period, the Exchange in conjunction with SEOCH shall be deemed to have been authorized by each party to the Error Trade to effect the cancellation on its behalf. HKEX, SEOCH and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

(7)   Within the next Business Day following the day on which any correction of Error Trade took place, the party initially requesting the correction shall submit to the Exchange a report setting out a detailed account of (i) the Error Trade committed; (ii) the reason for the Error Trade; and (iii) the measures that the party has

implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.

(8) For the avoidance of doubt, no trade that takes place at a level within the Price Parameters, or is reported to the Exchange later than thirty minutes after the time of the trade, is subject to these correction provisions.

Large-Scale Error Trades

540A. If the Error Trades claimed by an Options Trading Exchange Participant are of such magnitude or complexity that any claim in respect of such Error Trades may have to be handled in accordance with this Options Trading Rule 540A ("Large-Scale Error Trades"), the Exchange will broadcast an alert on HKATS as soon as practicable that such trades may be subject to a Large-Scale Error Trade claim. If the Exchange in its absolute opinion determines, taking into consideration relevant factors such as the number of trades, counterparties and option series involved, that the claim should be handled as a Large-Scale Error Trade claim, the Exchange will entertain such claim in accordance with the following procedures:

(1) The Exchange will broadcast an alert on HKATS as soon as practicable that such trades are the subject of a Large-Scale Error Trade claim and such trades and other related trades may be subject to cancellation.

(2) The Exchange will evaluate the trades in question and other related trades (whether the Options Trading Exchange Participant which has initiated the relevant claims is a party to the trades or not) using the Large-Scale Error Trade reference prices and the price parameters applicable to Large-Scale Error Trades (the "Large-Scale Error Trade Price Parameters"), both as prescribed by the Exchange and notified to Options Trading Exchange Participants from time to time.

(3) Unless otherwise determined by the Exchange at its sole discretion, all trades which took place on HKATS at a level which deviated from the Large-Scale Error Trade Price Parameters and within such time period as may be determined by the Exchange shall be cancelled (whether the trades have been claimed as Error Trades by an Options Trading Exchange Participant or not) and an alert on the trades to be cancelled shall be broadcast on HKATS. Any such decision shall be binding on the parties to these trades and the parties to these trades shall not be entitled to object to their cancellation or appeal against the Exchange's decision for any reason. HKEX, SEOCH and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.

(4) Within the next Business Day following the day on which any Large-Scale Error Trade took place, the party initiating the Error Trade claims shall submit to the Exchange a report setting out a detailed account of (i) the Error Trades committed; (ii) the reason for the Error Trades; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.

540B. In the event that the Exchange determines under Options Trading Rule 540A that a claim should not be handled as a Large-Scale Error Trade claim, the Exchange will

broadcast a further alert on HKATS that the claim will not be handled as a Large-Scale Error Trade claim, and the procedures under Options Trading Rules 540(2) to (8) shall apply instead (except that the alert referred to in Options Trading Rules 540(2) and 540(3) shall be deemed to be the alert broadcast under this Options Trading Rule 540B).

541. For each Error Trade claim initiated by an Options Trading Exchange Participant pursuant to Options Trading Rule 540 and the handling of Large-Scale Error Trades pursuant to Options Trading Rule 540A, the Options Trading Exchange Participant shall pay to the Exchange upon demand a fee of HK$3,000 per trade.

542. Notwithstanding that a trade is the subject of an Error Trade claim under these Options Trading Rules, the payment of Premium and SEOCH Collateral in respect of margin from the relevant Options Trading Exchange Participants will still be required whether by an NCP to its GCP or by any SEOCH Participant to SEOCH and retained until the correction of the Error Trade has been effected.

543. [Repealed]

Disputes

544. Any dispute as to the timing or terms of any Options Contract shall be determined by reference to the Transaction Register of HKATS, and Options Trading Rules 513 to 517 (inclusive) shall apply accordingly.

Limitation of Liability

545. The Exchange, SEOCH, HKFE, a recognized exchange controller which is the controller of the Exchange and an Options System Operator shall in no case be liable in contract, tort or otherwise for any claims or damages, whether direct, indirect, consequential or otherwise, including, but not limited to loss of data and loss of profits, of any Options Exchange Participant or any of its clients or any third party arising from or in connection with activities conducted through or associated with the Options System or any failure, error or defect in or unavailability of the Options System.

546. [Repealed]

547. [Repealed]

548. [Repealed]

549. [Repealed]

550. [Repealed]

551. [Repealed]

552. [Repealed]