

Operational Clearing Procedures for Options Trading Exchange Participants

I. INTRODUCTION TO OPERATIONAL CLEARING PROCEDURES

1. INTRODUCTION

1.2 Office of SEOCH

Office hours are from 9:00 a.m. to ~~1:00 p.m. and from 2:00 p.m. to~~ 6:00 p.m. on a Business Day~~Monday through Friday.~~

V. SPECIAL EVENTS

15. TYPHOONS AND ~~BLACK RAINSTORMS~~

Upon ~~the hoisting or the lowering~~approach and retreat of a ~~typhoon~~Typhoon ~~Signal No. 8 or above, and/or the issuance and/or cancellation~~Signal No. 8 or above, and/or the ~~discontinuation~~issuance of a Black Rainstorm Warning, trading in the options market will be operated in accordance with ~~synchronisation~~ with that in the cash market of the Exchange as described in the Rules of the Exchange. For details, please refer to the Exchange Rules and Operational Trading Procedures.

Under such circumstances, unless otherwise decided by the SEOCH Board, matters relating to clearing functions described in 4.1 and 4.3 of these Procedures, cash settlement, deposit or withdrawal of cash via CCMS, transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts and stock settlement process will be handled in the manner described below.

15.1 Clearing Functions

15.1.1 ~~Approach of Typhoons and/or Issuance of Black Rainstorm Warning~~

i. ~~If a Typhoon Signal No. 8 or above is hoisted by the Hong Kong Observatory or Black Rainstorm Warning issued at any time prior to 10~~ If a Typhoon Signal No. 8 or above is hoisted by the Hong Kong Observatory or Black Rainstorm Warning issued at any time prior to 10 before 9:00 a.m. on a Business Day and is not lowered or discontinued at 12:00 noon on the same day,

~~No~~no clearing functions will be available for the day.

ii. If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. on a Business Day and is lowered at or before 12:00 noon on the same day, all clearing functions will be available two hours after the lowering of the Signal.

iii. If a Typhoon Signal No. 8 or above is hoisted or Black Rainstorm Warning issued at or after 10~~9~~:00 a.m. on a Business Day

~~In the case of typhoon Signal No.8, all clearing functions will continue to be available within up to two hours after the hoisting of the Signal but all such functions will be terminated upon expiry of the two hours period it is hoisted.~~

~~In the case of Black Rainstorm Warning, clearing functions will continue as normal business day.~~

15.1.2 ~~Retreat of Typhoons and/or Discontinuation of Black Rainstorm Warning~~

i. ~~If a Black Rainstorm Warning is issued by the Hong Kong Observatory before 9:00 a.m. on a Business Day and is not cancelled at 12:00 noon on the same day, no clearing function will be available for the day.~~

ii. ~~Typhoon Signal No. 8 lowered or If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is cancelled/discontinued at or before 12:00 noon on the same day/trading day,~~

~~Full all~~ clearing functions will be available two hours after the ~~lowering of Typhoon Signal No.8 or discontinuation/cancellation~~ of ~~the~~ Black Rainstorm Warning.

iii. ~~If a Black Rainstorm Warning is issued at or after 9:00 a.m. on a Business Day, all clearing functions will continue as normal for the day subject to SEOCH's discretion to suspend, in whole or in part, the availability of any clearing and settlement services.~~

~~ii. Typhoon Signal No.8 lowered or Black Rainstorm Warning discontinued any time after 12:00 noon~~

~~No clearing function will be available for the day.~~

15.2 Money Settlement

For the purposes of this section, references to the terms (i) Daily Settlement Call and (ii) intra-day margin or Special Block Trade Margin call shall mean amounts due from SEOCH Participants for settlement not later than 9:15 a.m. on a ~~Business Day/trading day~~ pursuant to Clearing Rule 611(1) and amounts due from SEOCH Participants resulting from a demand issued by SEOCH to SEOCH Participants ~~any time from 9:00 a.m. to 4:00 p.m. on a Business Day/ a trading day~~ for settlement within one hour respectively.

In cases where a demand for Reserve Fund contribution from a SEOCH Participant is due for settlement on a ~~Business Day/trading day~~ which is affected by ~~the hoisting or lowering of Typhoon Signal No. 8 or above and/or the issuance or cancellation of a Black Rainstorm Warning~~-events, the settlement process will be handled in the same manner as that for Daily Settlement Call as described below.

15.2.1 ~~Approach of Typhoons and/or Issuance of Black Rainstorm Warning~~

i. ~~If a Typhoon Signal No. 8 or above is hoisted by the Hong Kong Observatory or Black Rainstorm Warning issued at or before 9:00/15 a.m. on a Business Day and is not lowered or discontinued at or before 12:00 noon on the same day:~~

- ~~Generally, cash settlement transactions including collection of Daily Settlement Call, intra-day margin call and settlement of cash deposit or cash withdrawal from SEOCH Participants~~~~the collection of Daily Settlement Call~~ will not be effected for the day. ~~In such event, the amount of the Daily Settlement Call will be collected on the first Business Day on which the banks in Hong Kong resume services to the public (the “first business day”) and will be due for settlement by not~~ later than 9:15 a.m. if the first business day is a full banking day or as soon as banking service in Hong Kong is available if the first business day is not a full banking day; ~~and~~

 - ~~As~~ CCMS will not be available, no cash deposit or cash withdrawal request from SEOCH Participants will be processed for the day; ~~Nor~~ would SEOCH issue any intra-day margin or Special Block Trade Margin call for the day.
- ii. If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. on a Business Day and is lowered at or before 12:00 noon on the same day:
- the collection of Daily Settlement Call will be effected and due for settlement two hours after the lowering of the Signal;

 - normally, intra-day margin or Special Block Trade Margin call, if any, will be issued two hours after the lowering of the Signal. The intra-day margin or Special Block Trade Margin call, if any, once issued will be due for settlement by no later than one hour after the call is issued as in the case of a normal Business Day; and

 - cash deposit or cash withdrawal requests submitted via CCMS before the normal cut-off time of 11:00 a.m. of the day will be processed for settlement in accordance with 10.4 of these Procedures on a best effort basis and subject to the availability of applicable services of the corresponding banks.
- iii. ~~If a Typhoon Signal No. 8 or above is hoisted or Black Rainstorm Warning issued at or after 9:00-15 a.m. on a Business Day; but before 10:00 a.m. and not lowered or discontinued at or before 12:00 noon~~
- ~~(i) The~~ collection of Daily Settlement Call will be effected as normal and will be due for settlement by SEOCH Participants not later than 9:15 a.m. on the same day; ~~;~~
- ~~As CCMS will not be available, no cash deposit or cash withdrawal request from SEOCH Participants will be processed for the day. Nor would SEOCH issue any intra-day margin or Special Block Trade Margin call for the day.~~
- iii. ~~Typhoon Signal No.8 hoisted or Black Rainstorm Warning issued at or after 10:00 a.m.~~
- ~~Any~~ intra-day margin or Special Block Trade Margin call issued one hour or more before the ~~typhoon s~~Signal No.8 is hoisted ~~or Black Rainstorm Warning is issued~~ will remain due for settlement within one hour after the intra-day margin or Special Block Trade Margin call is issued; ~~;~~

- ~~In~~ respect of cash deposit or cash withdrawal requests submitted via CCMS before the normal cut-off time of 11:00 a.m. of the day, the settlement of SEOCH Participants' requests for cash deposit or cash withdrawal will be processed in accordance with 10.4 of these Procedures on a best effort basis and subject to the availability of ~~the~~ applicable services of the corresponding banks; ~~and~~
- ~~In~~ any event, the SEOCH Participant concerned will be informed of whether its request could be settled for same day value before the close of business of the day.

15.2.2 ~~Retreat of Typhoon or Discontinuation of Black Rainstorms Warning~~

- i. ~~If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is not cancelled at 12:00 noon on the same day:~~
 - ~~generally, cash settlement transactions including collection of Daily Settlement Call, intra-day margin call and settlement of cash deposit or cash withdrawal from SEOCH Participants will not be effected for the day. In such event, the amount of the Daily Settlement Call will be collected on the first Business Day on which banks in Hong Kong resume services to the public (the "first business day") and will be due for settlement by no later than 9:15 a.m. if the first business day is a full banking day or as soon as banking service in Hong Kong is available if the first business day is not a full banking day; and~~
 - ~~as CCMS will not be available, no cash deposit or cash withdrawal request from SEOCH Participants will be processed for the day; nor would SEOCH issue any intra-day margin or Special Block Trade Margin call for the day.~~
- ii. ~~Typhoon Signal No.8 lowered or~~ If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is cancelled~~discontinued~~ at or before 12:00 noon on the same day: of a trading day
 - ~~The~~ collection of Daily Settlement Call will be effected and due for settlement two hours after the ~~lowering of Typhoon Signal No. 8 or discontinuation~~cancellation of the Black Rainstorm Warning; ~~and~~
 - ~~Normally, no~~ intra-day margin or Special Block Trade Margin call, if any, will be issued ~~earlier than~~ two hours after the ~~lowering of Typhoon Signal No.8 or cancellation~~discontinuation of the Black Rainstorm Warning. The intra-day margin or Special Block Trade Margin call, if any, once issued will be due for settlement not later than one hour after the call is issued as applies for a normal trading day. in the case of a normal Business Day; and
 - ~~C~~ash deposit or cash withdrawal requests submitted via CCMS before the normal cut-off time of 11:00 a.m. of the day will be processed for settlement in accordance with 10.4 of these Procedures on a best effort basis and subject to the availability of applicable services of the corresponding banks.

~~iii. Typhoon Signal No.8 lowered or If a Black Rainstorm Warning discontinued is issued at or after 9:00 a.m. on a Business Day, 12:00 noon of a trading day~~

~~N~~ normal cash settlement transactions including collection of Daily Settlement Call, intra-day margin call and settlement of cash deposit or cash withdrawal from SEOCH Participants will be processed for the day.

15.3 Requests from SEOCH Participants for the Transfer of Collateral Securities between CCMS Collateral Accounts and CCASS Stock Accounts

15.3.1 ~~Approach of t~~Typhoons and issuance of Black Rainstorm Warning

i. ~~If a Typhoon Signal No. 8 or above is hoisted or Black Rainstorm Warning issued before 109:00 a.m. on a Business Day and is not lowered or discontinued at or before 12:00 noon on the same day,~~

~~No~~ no request for the transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts will be processed for the day.

~~ii. If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. on a Business Day and is lowered at or before 12:00 noon on the same day, requests for the transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts will be processed on a best effort basis and subject to the availability of applicable services of CCMS and CCASS.~~

~~iii. If a Typhoon Signal No. 8 or above is hoisted or Black Rainstorm Warning issued at or after 109:00 a.m. on a Business Day,~~

~~R~~ requests for the transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts will be processed on a best effort basis and subject to the availability of applicable services of CCMS and CCASS.

15.3.2 ~~Retreat of typhoon or discontinuation of Black Rainstorms Warning~~

~~i. If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is not cancelled at 12:00 noon on the same day, no request for the transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts will be processed for the day.~~

~~ii. Typhoon Signal No.8 lowered or If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is cancelled discontinued at or before 12:00 noon the same day, of a trading day~~

~~—R~~ requests for the transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts will be processed on a best effort basis and subject to availability of applicable services of CCMS and CCASS.

~~iii. Typhoon Signal No.8 lowered or If a Black Rainstorm Warning is issued at or after 9:00 a.m. on a Business Day, normal CCMS services, including transfer of collateral securities will continue to be available for the day. discontinued after 12:00 noon of a trading day~~

~~—No request for the transfer of collateral securities between CCMS Collateral Accounts and CCASS Stock Accounts will be processed for the day.~~

15.4 Stock Settlement

Generally, the stock settlement process of SEOCH will follow the practice adopted in CCASS ~~for~~regarding the underlying market with respect to ~~under~~Business Days affected by typhoons or ~~black~~rainstormscircumstances.

15.4.1 ~~Approach of t~~Approach of t~~Typhoons and issuance of Black Rainstorm Warning~~

- i. ~~If a Typhoon Signal No. 8 or above is hoisted before 9:30 a.m. and not lowered by 12:00 noon or Black Rainstorm Warning issued before 9:00 a.m. on a Business Day and is not discontinued by lowered at 12:00 noon on the same day,~~

~~T~~The trading day will not be treated as a ~~s~~Settlement dDay for stock settlement purposes. In such event, SEOCH will extend by one ~~Settlement Day~~trading day for the settlement of pending stock transactions resulting from exercise or assignment transactions effected two ~~Business Day~~trading days prior to the day.

- ii. ~~If a Typhoon Signal No. 8 or above is hoisted before 9:00 a.m. on a Business Day and is lowered at or before 12:00 noon on the same day, the day will be treated as a Settlement Day for stock settlement purposes and settlement process will be effected as usual.~~

- iii. ~~If a Typhoon Signal No. 8 or above is hoisted at or after 9:30 a.m. or Black Rainstorm Warning issued at or after 9:00 a.m. on a Business Day,~~

~~T~~The trading day will be treated as a ~~s~~Settlement dDay for stock settlement purposes and settlement process will be effected as ~~usual~~normal trading days.

15.4.2 ~~Retreat of typhoon or discontinuation of Black Rainstorms Warning~~

- i. ~~Typhoon Signal No.8 lowered or Black Rainstorm Warning discontinued at or before 12:00 noon of a trading day~~

~~The trading day will be treated as a settlement day for stock settlement purposes and the settlement process will be effected as applies for a normal trading day.~~

- ii. ~~Typhoon Signal No.8 lowered or~~ If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is not cancelled at discontinued after 12:00 noon on the same day, of a trading day

~~T~~The trading day will not be treated as a ~~s~~Settlement dDay for stock settlement purposes. In such event, SEOCH will extend by one ~~Settlement Day~~trading day for the settlement of pending stock transactions resulting from exercise or assignment transactions effected two ~~trading days~~Business Days prior to the day.

- ii. If a Black Rainstorm Warning is issued before 9:00 a.m. on a Business Day and is cancelled at or before 12:00 noon on the same day, the day will be treated as a

Settlement Day for stock settlement purposes and the settlement process will be effected as usual.

iii. If a Black Rainstorm Warning is issued at or after 9:00 a.m. on a Business Day, normal stock settlement services will continue to be available for the day.