

Options Clearing Rules

**CHAPTER 1**

**DEFINITIONS AND INTERPRETATION**

**Definitions**

101. In these Clearing Rules, unless the context otherwise requires:-

"Hong Kong dollars" ~~and or~~ "HK\$" has the same meaning as in the Options Trading Rules;

"Renminbi" or "RMB" has the same meaning as in the Options Trading Rules;

"Settlement Currency" means the currency in which a Contract shall be settled, which currency shall be the Currency of the Contract unless otherwise specified or any other currency from time to time accepted by SEOCH or the Exchange;

**CHAPTER 2**

**CLEARING BY SEOCH**

**Terms of OCH Contracts**

205. The obligations of SEOCH to a SEOCH Participant under each OCH Contract shall be limited exclusively to:-

- (1) amounts and securities received or receivable by SEOCH from SEOCH Participants in respect of Premium and delivery obligations following exercise of OCH Contracts;
- (2) any property including, but not limited to, SEOCH Collateral in respect of margin, Premium, securities, bank guarantees and amounts standing to the credit of a defaulting SEOCH Participant available for the purpose of discharging that SEOCH Participant's obligations to SEOCH;
- (3) the amount from time to time standing to the credit of the Reserve Fund which is available to support the obligations of SEOCH under that OCH Contract;
- (4) the amount of any banking or other credit facilities available to SEOCH and arranged expressly for the purpose of providing financial resources to support the Reserve Fund and which is available to support the obligations of SEOCH under that OCH Contract;

- (5) the amount received pursuant to any claim under any insurance policy taken out by SEOCH for the purpose of providing financial resources to support the Reserve Fund and which is available to support the obligations of SEOCH under that OCH Contract; and
- (6) any amount SEOCH may in its absolute discretion make available to support its obligations out of the retained earnings of SEOCH,
- (7) [Repealed]

and no other assets available to SEOCH shall be applied to meet any such obligations. To the extent that the aggregate of the assets available to SEOCH referred to in sub-paragraphs (1) to (6) above is insufficient at any time to meet the aggregate liability of SEOCH to SEOCH Participants under all OCH Contracts subsisting at any time, each SEOCH Participant to whom SEOCH is liable shall only be entitled to receive payment pro rata according to the amount due to him as compared with the aggregate due to all SEOCH Participants, except in exceptional circumstances where SEOCH determines payment will not be pro rata. SEOCH shall remain liable on all such OCH Contracts but payment of the balance of such amounts due shall only be made as and when, and to the extent that, the assets referred to in sub-paragraphs (1) to (6) are subsequently available to SEOCH.

Without prejudice to the foregoing provisions regarding pro rata payment in circumstances where the aggregate of the assets available to SEOCH referred to in sub-paragraphs (1) to (6) above is insufficient to meet the aggregate liability of SEOCH to SEOCH Participants under all OCH Contracts subsisting at any time, in respect of SEOCH's obligations to deliver securities under OCH Contracts, to the extent that the SEOCH Board determines that it is not possible or reasonably practicable to deliver securities, SEOCH's obligations shall be to make money compensation to SEOCH Participants concerned in substitution for the delivery of securities in whole or in part and in such amount as SEOCH may in its absolute discretion determine by reference to the market value of such securities at the time of payment of compensation by SEOCH (or the value at such other time as SEOCH shall consider fair and reasonable in the circumstances). The money compensation shall be in such currency or currencies (whether in the Settlement Currency, the Currency of the Contract or otherwise) and at such conversion rate(s) as SEOCH may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate.

Without prejudice to the foregoing provisions regarding pro rata payment in circumstances where the aggregate of the assets available to SEOCH referred to in sub-paragraphs (1) to (6) above is insufficient to meet the aggregate liability of SEOCH to SEOCH Participants under all OCH Contracts subsisting at any time, in respect of SEOCH's obligations to make payment to SEOCH Participants under OCH Contracts in the Settlement Currency, to the extent that SEOCH determines that it is not possible or reasonably practicable to make payment in such Settlement Currency, SEOCH's obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as SEOCH may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate.

## CHAPTER 4

### SEOCH PARTICIPANTS' OBLIGATIONS

#### Continuing Obligations

403. Each SEOCH Participant shall at all times:-

- (10) have two bank accounts for Hong Kong dollars and each applicable non-Hong Kong dollar Settlement Currency with a Designated Bank or a Settlement Bank, as the case may be, and maintain in force a mandate in favour of SEOCH in such form as may be prescribed by SEOCH in relation to each bank account pursuant to which SEOCH may debit or credit such bank account and if a SEOCH Participant does not open ~~the~~ bank accounts in the Settlement Currency of a Contract (and Hong Kong dollars if the Settlement Currency is not Hong Kong dollars) and provide mandates to the bank as aforesaid, it will not be allowed to record, register and clear that Contract;

## CHAPTER 5

### EXERCISE, DELIVERY AND SETTLEMENT

#### Delivery and Settlement Under OCH Contracts

508B. In addition to any other rights SEOCH may have under these Clearing Rules:-

- (1) where SEOCH has an obligation to deliver securities arising from a validly exercised OCH Contract, SEOCH may, in lieu of delivering securities in whole or in part, make compensation to the SEOCH Participant concerned notwithstanding that such securities may be available in the market. The SEOCH Board shall only exercise its powers under this Clearing Rule in circumstances when the SEOCH Board considers in its reasonable opinion that the securities are not freely available in the market. The money compensation shall be in such amount and in such currency or currencies (whether in the Settlement Currency, the Currency of the Contract or otherwise) as SEOCH considers to be fair and reasonable having regard to all the circumstances of the case; and
- (2) where SEOCH has an obligation to pay any Settlement Amount arising from a validly exercised OCH Contract in the Settlement Currency, notwithstanding that the Settlement Currency may be available, SEOCH may in lieu of making payment of the Settlement Amount in that Settlement Currency make payment to the SEOCH Participant concerned, in full or in part, in such other currency or currencies and at such conversion rate(s) as SEOCH may in its absolute discretion determine to be fair and reasonable having regard to all the circumstances of the case. SEOCH shall only exercise its powers under this Clearing Rule in circumstances when SEOCH considers in its reasonable opinion that the Settlement Currency is not freely available or convertible in the market.

## CHAPTER 6

### RISK MANAGEMENT AND PAYMENT PROCEDURES

#### Premium and Settlement Amounts

602. All amounts payable by SEOCH Participants in respect of Premium and Settlement Amounts shall be settled by cash in the Settlement Currency and in accordance with these Clearing Rules and the Operational Clearing Procedures.

#### Margin, Premium and Settlement Amounts Calculation

610A. In addition to any other rights SEOCH may have under these Clearing Rules, where SEOCH has an obligation to make a net payment under Clearing Rule 610 in a Settlement Currency, notwithstanding that the Settlement Currency may be available, SEOCH may in lieu of making payment in that Settlement Currency make payment to the SEOCH Participant concerned, in full or in part, in such other currency or currencies and at such conversion rate(s) as SEOCH may in its absolute discretion determine to be fair and reasonable having regard to all the circumstances of the case. SEOCH shall only exercise its powers under this Clearing Rule in circumstances when SEOCH considers in its reasonable opinion that the Settlement Currency is not freely available or convertible in the market.