

CHAPTER 4

SEOCH PARTICIPANTS' OBLIGATIONS

Compliance with the Clearing Rules

401. Each SEOCH Participant shall at all times:-

- (1) adhere strictly to, and be bound by, these Clearing Rules, the Operational Clearing Procedures and any conditions set out in the notice of approval of its SEOCH Participantship; and
- (2) comply with the decisions, directions, directives, determinations, findings of fact and/or interpretation of the Board, the SEOCH Board and/or any other person or body of persons in the exercise or performance of any right, power, privilege, discretion, function, duty or obligation conferred on them by or pursuant to these Clearing Rules, the Operational Clearing Procedures, the Exchange Rules and, to the extent applicable, the CCASS Rules.

Continuing Obligations

402. Each SEOCH Participant shall at all times comply with the Financial Resources Rules and where applicable the financial resources requirements prescribed under Clearing Rule 403(9) or 403A.

402A. (1) It is the duty of every SEOCH Participant to ensure that any systems it uses for the purposes of conducting its Exchange Traded Options Business, including accounting system and back-office clearing and settlement systems, shall be Year 2000 Compliant.

(2) SEOCH Participant shall immediately report any failure, error or defect in his or its systems which is directly or indirectly caused by its systems not being Year 2000 Compliant and rectify such failure, error or defect. All losses, damages, demands, costs (including legal costs) and expenses arising out of directly or indirectly as a result of or in connection with any failure, error or defect shall be borne by the SEOCH Participant concerned.

(3) SEOCH, HKFE and a recognized exchange controller which is the controller of SEOCH shall have no liability for any losses, damages, demands, costs (including legal costs) and expenses suffered or incurred directly or indirectly as a result of or in connection with the Options System or any system upon which the Exchange, SEOCH, HKFE or a recognized exchange controller which is the controller of SEOCH is/are reliant in the operations of the Options System is not Year 2000 Compliant.

403. Each SEOCH Participant shall at all times:-

- (1) be in good standing as a Participant and be in compliance with the Exchange Rules;
- (2) be in good standing as an Options Trading Exchange Participant and be in compliance with the Options Trading Rules;
- (3) (a) be in good standing as a CCASS Clearing Participant and be in compliance with the CCASS Rules; or

- (b) have a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP if it intends to settle its delivery obligations through a CCASS GCP.
- (4) [Repealed]
- (5) pay when due all amounts of margin, Premium, payable by him to SEOCH and amounts required by HKSCC in relation to the settlement under the CNS system of his delivery obligations arising from exercise of OCH Contracts;
- (6) meet all its delivery obligations when due;
- (7) deliver all SEOCH Collateral in respect of its Reserve Fund Contributions and Replenishment Contribution when due;
- (8) pay all levies, duties, charges and fees payable from time to time by it in its capacity as a SEOCH Participant when due;
- (9) notwithstanding Clearing Rule 402, have liquid capital of no less than:-
 - (a) its required liquid capital under the Financial Resources Rules; or
 - (b) the following amount, as appropriate:-
 - (i) HK\$20,000,000 if a GCP; or
 - (ii) HK\$5,000,000 if a Direct Clearing Participant,whichever is the greater;
- (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 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;
- (11) have, to the satisfaction of SEOCH, adequate personnel, back office systems and unless exempted by SEOCH (which exemption may be granted on such conditions as SEOCH considers appropriate), have installed such computer hardware and software for gaining access to DCASS and CCMS as may be specified by SEOCH for its category of SEOCH Participantship and its Exchange Traded Options Business and ensure that such hardware and software are maintained in accordance with the requirements as prescribed by SEOCH from time to time.
- (12) comply with any procedures or enter into any documentation from time to time prescribed by the SEOCH Board and which relate to the business of SEOCH;
- (13) maintain accurate daily records of all Contracts to which it is or has been party and of its Exchange Traded Options Business and make such regular financial and other returns as may from time to time be required by the Commission;

- (14) be able to demonstrate, to the satisfaction of SEOCH, the ability to comply with the above at all times;
 - (15) maintain in force a mandate in such form as may be prescribed by SEOCH authorising SEOCH:
 - (a) to transfer SEOCH Collateral provided by the SEOCH Participant to HKSCC (as required by HKSCC) in relation to the settlement of the delivery obligations of the SEOCH Participant or the CCASS GCP, where applicable, under the CNS System; and
 - (b) to pay Settlement Amount in relation to stock delivery obligations settled by securities collateral already provided to SEOCH to the cash account of the SEOCH Participant or the CCASS GCP, where applicable, maintained with HKSCC;
 - (16) comply with any law, decree, rule, regulation, or order of any government, regulatory authority, competent authority, court or tribunal anywhere in the world, applicable to it or to its status, the conduct of its business and the performance of its obligations as a SEOCH Participant, including, for the avoidance of doubt, all applicable laws, decrees, rules, regulations, and orders of any government, regulatory authority, competent authority, court, or tribunal relating to the prevention of bribery, money laundering, tax evasion, financial crimes and terrorist financing; and
 - (17) notify SEOCH of any change in the details supplied to SEOCH at the time of admission and thereafter, including but not limited to anything relating to such SEOCH Participant, its directors or employees which would render inaccurate, incomplete or superseded a statement or information previously furnished by such SEOCH Participant to SEOCH in connection with either (a) such SEOCH Participant's application for admission to be a SEOCH Participant or (b) the status of such SEOCH Participant under the Tax Information Exchange Framework, the documentation previously furnished by such SEOCH Participant on such status or the meeting by SEOCH under Rule 403E of any obligations relating to the Tax Information Exchange Framework.
- 403A. Notwithstanding the Financial Resources Rules and Clearing Rule 403(9), SEOCH may increase the requirements thereunder in respect of any SEOCH Participant to suit the circumstances of a particular case or of SEOCH Participants generally, if it deems that circumstances so justify. Such increased requirements may be subsequently varied by SEOCH as various circumstances may exist which require SEOCH to make ad hoc decisions. However, every SEOCH Participant must still comply with the Financial Resources Rules.
- 403B. SEOCH shall ensure that changes in the prevailing minimum financial resources requirements determined pursuant to Clearing Rule 403A are promptly notified to all relevant SEOCH Participants in such manner as SEOCH may specify.
- 403C. SEOCH shall ensure that the Commission is notified of all prevailing minimum financial resources requirements as determined by SEOCH pursuant to Clearing Rule 403A and shall notify the Commission immediately of any changes in the minimum financial resources requirements prevailing from time to time.
- 403D. If any discrepancy exists between the level of liquid capital or other financial resources requirements as set forth or determined by SEOCH pursuant to these Clearing Rules and that set forth in the Financial Resources Rules, the level which is higher or more stringent shall prevail.

- 403E. Each SEOCH Participant shall provide SEOCH with sufficient information so as to enable SEOCH to determine whether any payments to be made by SEOCH under these Rules are withholdable payments pursuant to the Tax Information Exchange Framework and to enable SEOCH to meet any applicable obligations relating to the Tax Information Exchange Framework.
404. (1) Every SEOCH Participant must set Prescribed Risk Controls for itself (as Options Trading Exchange Participant) and every GCP must set Prescribed Risk Controls for each Options Trading Exchange Participant for whom it clears, including its or such Options Trading Exchange Participant's Authorized Persons and any other person who is allowed to trade through HKATS via its or such Options Trading Exchange Participant's connection or any connection granted by the Exchange through it or such Options Trading Exchange Participant.
- (2) Every SEOCH Participant must provide SEOCH with such information as it may request from time to time to enable SEOCH to assess whether the Prescribed Risk Controls set by the SEOCH Participant are reasonable.
- (3) Every SEOCH Participant must notify SEOCH 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 SEOCH from time to time.
- (4) Every SEOCH Participant is responsible for the Prescribed Risk Controls set by it. SEOCH, the Exchange and a recognized exchange controller of SEOCH shall in no case be liable for the sufficiency or effectiveness of the Prescribed Risk Controls set by a SEOCH Participant or any failure or unavailability of, or error or defect in the HKATS Risk Functions, the SEOCH Participant's connection to HKATS or any Prescribed Risk Controls-related reports, warnings or notifications that may be provided to the SEOCH Participant by SEOCH.
- (5) Every SEOCH Participant agrees to use the HKATS Risk Functions for the purpose of establishing, monitoring and implementing Prescribed Risk Controls only and not for any other purpose. Every SEOCH Participant shall ensure that only its Authorized Person shall gain access to HKATS through the HKATS Risk Functions.

Reserve Fund Purpose

- 404A. The purpose of the Reserve Fund is to provide resources to support the obligations of SEOCH as counterparty under OCH Contracts and shall only be used in accordance with these Clearing Rules.

Reserve Fund Requirements

405. In addition to the amount of Initial Contribution required pursuant to Clearing Rule 310, each GCP shall deliver SEOCH Collateral in respect of an Initial Contribution of HK\$1,500,000 (or such other amount as the SEOCH Board may from time to time prescribe) for every subsequent Clearing Agreement entered into by that GCP where the GCP already has three valid Clearing Agreements in place. A GCP shall not clear any OCH Contracts pursuant to such a Clearing Agreement until that contribution has been paid.
406. Each SEOCH Participant must at all times maintain a level of Reserve Fund Contributions which SEOCH in its absolute discretion determines to be appropriate having regard (without limitation) both to the Reserve Fund size which is needed given

aggregate open positions and estimated market volatility, and to any minimum Reserve Fund size needed regardless of those positions and that volatility. The amount for the time being calculated by SEOCH and required to be contributed to the Reserve Fund by each SEOCH Participant in order to maintain the Reserve Fund at the size so determined to be appropriate is referred to in these Clearing Rules as the "Reserve Fund Requirement" of a SEOCH Participant.

407. When, in its judgement, it is necessary to do so, SEOCH will re-calculate the Reserve Fund Requirement of each SEOCH Participant. SEOCH will make such recalculations at least monthly. SEOCH may re-calculate the Reserve Fund Requirement of one or more SEOCH Participants more frequently than this. Following each such re-calculation, each affected SEOCH Participant will be notified of his re-calculated Reserve Fund Requirement.
408. If for any reason (including due to a recalculation pursuant to Clearing Rule 407 or the use of the Reserve Fund pursuant to Clearing Rule 412) the value, as determined by SEOCH, of the SEOCH Collateral provided by a SEOCH Participant in respect of its Reserve Fund Contributions is less than the then current Reserve Fund Requirement of that SEOCH Participant, that SEOCH Participant shall deliver additional SEOCH Collateral to SEOCH in accordance with these Clearing Rules.
409. Each SEOCH Participant shall deliver additional SEOCH Collateral in respect of its Reserve Fund Requirement as notified to it by SEOCH and by the time specified in the notification from SEOCH and in accordance with the Operational Clearing Procedures.
410. If the value of the SEOCH Collateral provided by a SEOCH Participant in respect of its Reserve Fund Contributions exceeds that SEOCH Participant's then current Reserve Fund Requirement, that SEOCH Participant may request SEOCH to redeliver to it such excess. SEOCH will redeliver SEOCH Collateral in such form and amount as it determines in accordance with the Operational Clearing Procedures. SEOCH may withhold or deduct from the SEOCH Collateral to be redelivered to a SEOCH Participant such sum SEOCH regards as appropriate in relation to any obligation the SEOCH Participant owes to SEOCH or if the SEOCH Participant is not in compliance with these Clearing Rules.

Maximum Current Liability to Contribute to the Reserve Fund

411. There shall be no limit on the Reserve Fund Requirement to be maintained by a SEOCH Participant at any given time. A SEOCH Participant may limit its liability in respect of the Reserve Fund by resigning as a SEOCH Participant in accordance with Clearing Rules 419 to 426 (inclusive).

SEOCH Use and Order of Application of the Reserve Fund

412. Except as provided in Clearing Rule 413B, amounts standing to the credit of the Reserve Fund may be applied in respect of SEOCH's liabilities which arise by virtue of its being counterparty to every OCH Contract cleared by it including, but not limited to, the costs and expenses involved in making recoveries against Defaulters to those OCH Contracts. If, in the opinion of SEOCH, the resources of the Reserve Fund are at any time liable to be fully depleted or are at any time at a level which is unlikely to satisfy all such liabilities, the resources of the Reserve Fund shall be applied to all such liabilities on a pro rata basis or in such other manner as SEOCH may consider fair and appropriate.
413. Without prejudice to SEOCH's rights to draw on any other resources available to the Reserve Fund including those stated in Clearing Rule 205 (4), (5) or (6), the amounts standing to the credit of the Reserve Fund will be applied towards any payment permitted by Clearing Rule 412 in the following order of priority:-

- (1) SEOCH Collateral held by SEOCH in respect of the Reserve Fund Contributions of the Defaulter(s) (if applicable);
- (2) interest income credited to the Reserve Fund;
- (3) SEOCH Collateral held by SEOCH in respect of other SEOCH Participants' Initial Contributions;
- (4) SEOCH Collateral held by SEOCH in respect of other SEOCH Participants' Variable Contributions;
- (5) the proceeds of insurance policies arranged pursuant to Clearing Rule 205; and
- (6) the proceeds of guarantees or facilities arranged pursuant to Clearing Rule 205.

SEOCH will notify the affected SEOCH Participants of any amounts applied pursuant to this Clearing Rule and, where applicable, notify SEOCH Participants of any obligations to deliver additional SEOCH Collateral in respect of their Reserve Fund Requirements pursuant to Clearing Rule 408.

413AA. For the purposes of Clearing Rules 413 (3) and (4), if after the date of default of a Defaulter, a SEOCH Participant has itself been declared as a Defaulter, any prevailing amounts standing to the credit of its Initial Contribution and Variable Contribution shall be applied towards the default of the other Defaulter and its own default in such manner as SEOCH may consider appropriate.

413AB. The amount of Initial Contribution and Variable Contribution in respect of each SEOCH Participant to be applied pursuant to Clearing Rules 413 (3) and (4) respectively shall be calculated on a pro rata basis by reference to the SEOCH Participant's share of the total Initial Contributions or total Variable Contributions, as the case may be, immediately before the default, excluding the portions contributed by any Defaulter and any SEOCH Participant whose SEOCH Participantship has been effectively terminated. Notwithstanding the aforesaid, if on or before the date of the default of a Defaulter, the SEOCH Participantship of a SEOCH Participant is effectively terminated, its Initial Contribution and Variable Contribution will not be applied towards the default, and if on or before the date of the default, a SEOCH Participant has itself been declared as a Defaulter, its Initial Contribution and Variable Contribution will only be applied towards its own default.

Accounts of Reserve Fund

413A. SEOCH shall maintain a separate record of all amounts standing to the credit of and all guarantees, facilities or policies arranged or taken out for the purpose of providing financial resources to support the Reserve Fund from time to time. Without prejudice to the aforesaid, SEOCH shall maintain a separate account in respect of all the contributions made or required to be made by SEOCH Participants to the Reserve Fund.

413B. SEOCH may apply any amounts standing to the credit of the Reserve Fund (other than SEOCH Collateral delivered to SEOCH in respect of SEOCH Participants' Reserve Fund Contributions) which are in the opinion of SEOCH surplus to the Reserve Fund

Requirement in such manner as SEOCH thinks fit, including appropriation of such monies out of the Reserve Fund temporarily or permanently for the following purposes including, but not limited to:-

- (1) payment of any interest or money obligations as may be determined from time to time by the SEOCH Board arising from or in respect of the SEOCH Collateral delivered to meet the demand for Reserve Fund Requirement; and
- (2) payment for costs and expenses incurred in establishing, maintaining, managing, administering and terminating any arrangements such as guarantees, facilities and policies of insurance as SEOCH may from time to time consider appropriate for the purpose of providing additional resources to the Reserve Fund.

Replenishment of Reserve Fund Contributions

413C. In circumstances where all or part of the Initial Contributions and Variable Contributions are applied pursuant to Clearing Rule 413, the SEOCH Participant (excluding any SEOCH Participant specified under Clearing Rule 413D) shall on demand by SEOCH provide Replenishment Contribution to the Reserve Fund (i) to ensure that its Reserve Fund Contributions are replenished to the same level as that before any application is made; and (ii) to provide such additional resources as SEOCH may require to meet any liabilities that remain outstanding.

413D. Replenishment Contributions shall not be required from SEOCH Participants which have been declared as a Defaulter or whose SEOCH Participantships have been effectively terminated on the day such Replenishment Contributions are demanded.

413E. SEOCH shall notify SEOCH Participants of any demand for Replenishment Contributions verbally or in writing as SEOCH considers appropriate. SEOCH may demand such Replenishment Contributions to be satisfied after or at the same time that an application is made under Clearing Rule 413. All demands for Replenishment Contributions must be met by cash payment in Hong Kong dollars or in any other currency prescribed by SEOCH from time to time no later than the third Business Day after the demand is made by SEOCH or within such other time period as may be specified by SEOCH.

Recoveries

414. If any amount paid out of the Reserve Fund pursuant to Clearing Rule 413 is subsequently recovered by SEOCH, SEOCH may credit such amount (less any costs and expenses of recovery) to the Reserve Fund in the reverse order of priority and on the same pro rata basis (if applicable) as the order or basis in which the resources of the Reserve Fund were paid out pursuant to Clearing Rules 413 to 413AB. It may be a term of any guarantee, facility or insurance policy that recoveries from the Defaulter be applied in a particular fashion other than in replenishment of the Reserve Fund.

No Transfer of SEOCH Participantship

415. SEOCH Participantship shall not be capable of being transferred and no SEOCH Participant shall attempt to sell or transfer its SEOCH Participantship.

416. A SEOCH Participant shall not pledge or mortgage, or create any trust, charge, lien or other encumbrance over, its SEOCH Participantship.

417. A SEOCH Participant shall not assign any of its rights, benefits or privileges as a SEOCH Participant and such rights, benefits and privileges shall be incapable of assignment.

418. SEOCH shall not be bound or in any way compelled to recognise (even if it has notice of the same) any purported dealing or disposition made in contravention of Clearing Rule 415, 416 or 417.

Resignation as a SEOCH Participant

419. If a SEOCH Participant wishes to resign its SEOCH Participantship, it shall do so by giving written notice at any time to SEOCH and, if it is a GCP, then to its NCPs of its intention to do so.
420. A notice of resignation may only be revoked before the effective date of termination of its SEOCH Participantship with the prior written consent of SEOCH. The resigning SEOCH Participant is required to submit a written request to SEOCH giving reasons for the revocation.
421. Unless otherwise determined by the SEOCH Board, every SEOCH Participant who gives notice of resignation of its SEOCH Participantship shall:-
- (1) continue to be obligated to deliver SEOCH Collateral in respect of its Reserve Fund Requirement pursuant to these Clearing Rules until the effective date of the termination of its SEOCH Participantship. However, a resigning SEOCH Participant's liability in respect of the Reserve Fund shall be limited to such maximum amount as may be specified in the Operational Clearing Procedures;
 - (2) at the time it gives such notice or within such time period specified by SEOCH, submit for approval to SEOCH a plan for the orderly winding down of its affairs in relation to Exchange Traded Options Business, including, but not limited to, the closing or give-up, in accordance with these Clearing Rules and the Options Trading Rules, of all OCH Contracts to which it is party, and shall, upon approval of such plan by SEOCH, and unless otherwise agreed by SEOCH, adhere to that plan until the expiry of its SEOCH Participantship;
 - (3) not (except with the consent of, or as directed by, SEOCH) enter into any opening contracts; and
 - (4) if SEOCH is satisfied that a SEOCH Participant is resigning its SEOCH Participantship pursuant to a reorganisation of the group of companies of which the SEOCH Participant is a member and in circumstances where another company in the same group is to become a SEOCH Participant and to continue the business of the existing SEOCH Participant in place of the existing SEOCH Participant; and for this purpose a company shall be in the same group as another company if, in the opinion of SEOCH, the ultimate beneficial owners of both companies are the same or substantially the same, then, upon written application of the resigning SEOCH Participant, SEOCH may issue a written notice exempting that SEOCH Participant from compliance with Clearing Rules 421(2), 421(3) and 422 and, if SEOCH thinks fit, allowing the resigning SEOCH Participant's Reserve Fund Contributions to be credited to the new SEOCH Participant with effect from a date stipulated by SEOCH (such date not to be later than the date upon which the new SEOCH Participant becomes a SEOCH Participant). Any such notice may be issued on such conditions as SEOCH thinks fit. SEOCH shall have an absolute discretion to determine whether or not the ultimate beneficial ownership of companies is "the same or substantially the same" and SEOCH's decision in relation to the same shall be final and binding.

422. SEOCH may take any of the steps set out in Clearing Rule 703 in order to ensure the orderly winding down of a resigning SEOCH Participant's Exchange Traded Options Business and may, in addition, impose position limits or revise any position limits already imposed on that SEOCH Participant.
423. A resigning SEOCH Participant shall, until the effective date of termination of its SEOCH Participantship, remain bound by all the provisions of these Clearing Rules.
424. A resigning SEOCH Participant's SEOCH Participantship will be terminated at such time as may be specified by SE0CH and notified to the resigning SEOCH Participant.
425. A resigning SEOCH Participant shall be entitled to the redelivery of any SEOCH Collateral provided to SE0CH in respect of its Reserve Fund Contributions subject to, and in accordance with, the provisions of Clearing Rules 722 and 723.
426. Any SEOCH Participant which, in its capacity as an Options Trading Exchange Participant, gives notice of resignation of its Options Trading Participantship or is treated, pursuant to the Options Trading Rules, as having given any such notice, shall be treated as having given on the same day notice of resignation as a SE0CH Participant and these Clearing Rules shall apply accordingly.
427. A SE0CH Participant which resigns, whether under the provisions of Clearing Rule 411 or otherwise, may be required to provide additional SE0CH Collateral in respect of its Reserve Fund Requirement or otherwise compensate SE0CH in order to be eligible for re-admission as a SE0CH Participant.

Confidentiality

428. All information in the possession of SE0CH relating to a SE0CH Participant will be kept confidential by the directors and other staff or officers of SE0CH having access to the same in accordance with procedures made by SE0CH. SE0CH, however, may disclose any information at any time:-
 - (1) to the Exchange;
 - (2) to the Commission;
 - (3) to HKSCC;
 - (4) to HKFE;
 - (5) to any insurer, insurance broker or banker in connection with the arrangement of support for the Reserve Fund;
 - (6) to any professional advisers or consultants of SE0CH;
 - (7) as required by the laws of Hong Kong;
 - (8) to any exchange, clearing house, governmental, regulatory or competent authority or any organization (whether in Hong Kong or elsewhere) with whom HKEX, SE0CH or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework;
 - (9) to any recognized exchange controller;
 - (10) to any company of which a recognized exchange controller which is a controller of the Exchange is a controller;

- (11) to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to have been appointed in accordance with the Securities and Futures Ordinance or, as the context may require, their designees;
- (12) if so required pursuant to any requirement or request of any governmental, regulatory or other competent authority whether within or outside Hong Kong (including, but not limited to, the Commission, Hong Kong Monetary Authority and the Inland Revenue Department of the Hong Kong government) or by or in accordance with the Tax Information Exchange Framework; or
- (13) to specified persons or to the public if required for SEOCH to comply with any local or international regulatory standards applicable to it,

provided that, in any such case other than under sub-paragraphs (7), (8), (12) and (13) above, the confidentiality of the information is made known to the recipient (it being understood that, if a case is described in multiple sub-paragraphs of this sentence that include sub-paragraphs (7), (8), (12) or (13) above, then the confidentiality of the information need not be made known to the recipient) and provided that, in case of disclosure of information concerning or in connection with a SEOCH Participant under sub-paragraph (13), it shall be on an aggregated and/or anonymised basis.

428A. The Board may direct a SEOCH Participant to provide it with any information required or requested by an exchange, clearing house, governmental, regulatory or other competent authority or any organization (whether in Hong Kong or elsewhere) with whom HKEX, SEOCH or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework.

Clearing Agreements

- 429. Every GCP shall enter into a Clearing Agreement in such form or containing such provisions as may from time to time be required by SEOCH with each NCP for whom it proposes to accept Options Contracts for clearing. Except where a non-defaulting GCP consents to accept a give-up of OCH Contracts pursuant to Clearing Rule 715, a GCP shall not accept for clearing any such Options Contracts for an NCP until a Clearing Agreement has been signed by both parties.
- 430. [Repealed]
- 431. A GCP shall notify SEOCH immediately of the execution of each Clearing Agreement to which that GCP is party, identifying the name of the relevant NCP. Such notification shall be in such form as SEOCH may from time to time specify.
- 432. The form of Clearing Agreement proposed to be entered into by a GCP with NCPs must facilitate the performance of, and be consistent with, the GCP's obligations under these Clearing Rules and the Operational Clearing Procedures.
- 433. A GCP shall, at the request of SEOCH, supply it and the Exchange with a certified copy of any executed Clearing Agreement to which that GCP is or has been party.
- 434. A GCP shall be bound by, and shall comply strictly with, the terms of each Clearing Agreement to which it is party, to the extent that those Clearing Agreements are consistent with these Clearing Rules.
- 434A. (1) A GCP shall give prior written notice to SEOCH if it or an NCP intends to terminate the Clearing Agreement between them, unless the NCP has already given notice

to terminate the Clearing Agreement to the Exchange in accordance with the Options Trading Rules.

- (2) When SEOCH receives a termination notice from the GCP or when SEOCH receives notification from the Exchange that notice to terminate the Clearing Agreement had been given by an NCP, SEOCH will issue a confirmation of termination to the GCP (with a copy to the NCP concerned) in writing and unless and until written confirmation has been issued to the GCP, the Clearing Agreement shall be treated as valid, binding and effective by SEOCH for the purposes of these Clearing Rules notwithstanding any provision to the contrary in the Clearing Agreement and/or the termination notice from the GCP or the NCP and the GCP shall continue to be bound by the Clearing Agreement and responsible for all the OCH Contracts concluded by such NCP.
- (3) Notwithstanding the above and without prejudice to the rights of SEOCH under Clearing Rules 714 to 717, the Clearing Agreement is deemed to be terminated when the GCP has resigned or is suspended or expelled from SEOCH Participantship or when its access to the Options Clearing System is suspended or terminated under these Clearing Rules.
- (4) The termination of the Clearing Agreement between a GCP and an NCP will not affect any of their rights or liabilities arising out of matters which have taken place prior to the termination of the Clearing Agreement and for the purpose of settlement of any such rights or liabilities of the GCP and NCP, SEOCH may continue to treat the GCP as the GCP of the NCP.

Monitoring by GCPs

435. 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 such a demand, identifying the NCP concerned.
436. 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 Options Contracts for clearing for the purpose, or which has the effect, of circumventing or evading the margin requirements set out in the Options Trading Rules.
437. Each GCP shall collect margin from each NCP with whom it has entered into a Clearing Agreement in an amount not less than the amount calculated in accordance with the Operational Trading Procedures.

Right to Demand Documents

438. Every SEOCH Participant shall, within a period as the SEOCH Board may specify, submit to it such statements, books, records, accounts and other documents as the SEOCH Board may demand.

Power to Make Inspections

439. Officers or employees of SEOCH or such persons appointed by the SEOCH Board may from time to time inspect and copy the statements, books, records, accounts and other documents maintained by the SEOCH Participant relating to the clearing of Contracts. Every SEOCH Participant shall provide or allow those officers or employees or

appointed persons access to its premises, statements, books, records, accounts and other documents necessary for the discharging of their duty, with or without prior notice.

440. Any costs and expenses incidental to or consequential upon an inspection ordered under Clearing Rule 439 by SEOCH shall be borne by the SEOCH Participant concerned, unless the SEOCH Board otherwise determines.
441. A SEOCH Participant shall not be entitled to claim against SEOCH, a recognized exchange controller which is the controller of SEOCH, the SEOCH Board, officers or employees of SEOCH or any appointed person for any loss or damages whatsoever relating to any inspection ordered under Clearing Rule 439.

Power of SEOCH to Modify the Terms of Continued Participantship

442. SEOCH may form the view that its best interests are served by a SEOCH Participant's continued SEOCH Participantship being conditional on that SEOCH Participant meeting new financial or operational requirements including but not limited to increased liquid capital, Reserve Fund Requirement or changes to its internal operations in terms of personnel or facilities. Each SEOCH Participant instructed to comply with such special requirements shall comply within SEOCH's stated time frame with any instructions made pursuant to this Clearing Rule.

443. [Repealed]

Tax

444. SEOCH shall make any payments due to a SEOCH Participant net of any Withholding Tax (whether withheld by SEOCH or any other parties), and SEOCH shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax. SEOCH shall be entitled to deduct Withholding Tax from payments to a SEOCH Participant.

445. In the event that any payment made by a SEOCH Participant to SEOCH is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Withholding Tax, then the SEOCH Participant shall pay to SEOCH an amount, in addition to the payment to which SEOCH is otherwise entitled, necessary to ensure that the net amount actually received by SEOCH (free and clear of any such deduction or withholding for or on account of any such Withholding Tax), will be equal to the full amount SEOCH would have received in the absence of any such deduction or withholding.

446. Each SEOCH Participant shall indemnify SEOCH, the Exchange, and a recognized exchange controller which is the controller of SEOCH and keep SEOCH, the Exchange, and a recognized exchange controller which is the controller of SEOCH indemnified from and against any loss, cost (including cost of enforcement), interests, liability (including any tax or other fiscal liability), claim, damage, cost or expenses of whatever nature which SEOCH, the Exchange, and a recognized exchange controller which is the controller of SEOCH incurred or suffered in connection with any actions taken by SEOCH or any actions that SEOCH is required to take to comply with any obligations relating to the Tax Information Exchange Framework (or fails to take relating to Withholding Tax obligations) with respect to such SEOCH Participant.