

Rules and Procedures of HKFE Clearing Corporation Limited

PREFACE

Relationship to the Exchange

On the Scheme Effective Date (as defined in the Rules of the Exchange), the Exchange and The Stock Exchange of Hong Kong Limited became wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited (“HKEX”) by way of respective schemes of arrangement under section 166 of the Companies Ordinance. Further to a group restructuring effected in 2016, HKCC became a wholly-owned subsidiary of HKEX which is the direct holding company of the Exchange. The Rules of the Exchange and the Rules of HKCC provide for the exchange of information between the Exchange, HKCC and HKEX within the confines of the Rules of the Exchange and HKCC which are designed to protect the confidentiality and sensitivity of such information.

HKCC as Counterparty

Under the financial support from HKEX, HKCC has put in place a contingent advance capital arrangement to provide additional funding in the event that the resources of the fund are insufficient to meet its liabilities arising from a participant default situation. To the extent any amount available under the contingent advance capital is utilized, HKCC will exercise its power under the Rules to recover the utilized amount from HKCC Participants.

CHAPTER I

INTERPRETATION

Definitions

101. In these Rules the definitions contained in the Exchange Rules (as hereinafter defined) shall where the context permits be incorporated herein by reference and the following expressions shall, unless the context otherwise requires, bear the following meanings:-

“Clearing Official”	means an employee of <u>HKEX</u> designated by the Chairman pursuant to the Clearing House Procedures;
“designated <u>HKEX</u> staff”	has the same meaning as in the Exchange Rules;
“ <u>HKEX</u> ”	means Hong Kong Exchanges and Clearing Limited;
“ <u>HKEX</u> website”	means the official website of <u>HKEX</u> at http://www.hkex.com.hk or at such other website address specified by <u>HKEX</u> from time to time;

“PRiME”

means the Portfolio Risk Margining System of ~~HKEX~~HKEX, which is the margining methodology adopted by the Clearing House for the calculation of Clearing House margin;

Notice

105. Unless otherwise provided in these Rules, all notices, requests, demands or other communications from HKCC to HKCC Participants may be given orally or in writing, in person or by post, by electronic or wire transmission, by telephone or facsimile, by posting on the ~~HKEX~~HKEX website, or by any means of computer data transmission including, but in no way limited to, broadcast messages via HKATS or DCASS or e-mail.
106. Any communication disseminated via DCASS or HKATS or e-mail or posted on the ~~HKEX~~HKEX website will constitute written notice for the purpose of these Rules.

CHAPTER II

HKCC PARTICIPANTSHIP

Continuing obligations of HKCC Participants

- 214A. Every HKCC Participant shall, upon the Board’s direction, provide the Exchange with any information requested by an exchange, clearing house, governmental, regulatory or other competent authority or an organization (whether within or outside Hong Kong) with which ~~HKEX~~HKEX, the Clearing House or the Exchange has entered into an information arrangement or agreement or pursuant to the Tax Information Exchange Framework.

Disclosure of information

219. All information in the possession of the Clearing House relating to an HKCC Participant shall be kept confidential by the Chairman, Managing Director, staff or officers of the Clearing House or ~~HKEX~~HKEX having access to the same, except that:-
- (a) those persons may disclose such information to their immediate senior officer of the Clearing House or ~~HKEX~~HKEX, the Managing Director, or to the chief executive or the chief operating officer of ~~HKEX~~HKEX for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees;
 - (b) those persons may disclose such information to any other officer of the Clearing House or ~~HKEX~~HKEX who in the opinion of the Managing Director or Chairman needs to know the information;

- (c) the Clearing House may disclose any information at any time:-
 - (iv) to any exchange, clearing house, governmental, regulatory or other competent authority or any organization (whether within or outside Hong Kong) with which ~~HKEX~~HKEX, the Clearing House or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework;
220. (a) The surveillance of HKCC Participants' compliance with the HKCC Rules is performed by the Compliance Department at the request of the Clearing House. Accordingly any and all information relating to an HKCC Participant's business, trading and affairs will, subject to the HKCC Rules, be exchanged with the Exchange and ~~HKEX~~HKEX.
- (b) Only the Managing Director, the Chairman or other senior staff of the Clearing House or ~~HKEX~~HKEX authorized by the Managing Director or the Chairman shall be entitled to have access to information referred to the Clearing House by the Exchange or ~~HKEX~~HKEX.

CHAPTER V

LIMITS AND DEFAULTS

Circumstances giving rise to disciplinary proceedings

516. Any HKCC Participant which:

- (i) fails to provide information requested by an exchange, clearing house, regulatory authority or an organization (whether within or outside Hong Kong) with which ~~HKEX~~HKEX, the Clearing House or the Exchange has entered into an information sharing arrangement or agreement or pursuant to Rule 214(m) or (n).

CHAPTER VII

THE RESERVE FUND AND THE HKCC CONTINGENT ADVANCE CAPITAL

General

701. (aa) In addition to establishing the Reserve Fund, the Clearing House may put in place an arrangement in the form of HKCC Contingent Advance Capital to provide additional funding in the event that its liabilities from Contracts arising pursuant to Rule 309 or Rule 313 exceed the resources available under the Reserve Fund. The level of HKCC Contingent Advance Capital support shall be determined in accordance with the Clearing House Procedures, but shall not in any event exceed the actual amount of funding made available by

~~HKEX~~ to the Clearing House for this purpose under the prevailing circumstances. The resources of the HKCC Contingent Advance Capital shall be applied only after the resources of the Reserve Fund have been fully depleted and to the extent any amount under the HKCC Contingent Advance Capital is so applied, HKCC Participants shall be liable to repay and reimburse such amount to the Clearing House forthwith on demand.

CHAPTER IX

DCASS

Liability of HKCC Participants

914. No action shall lie against and no liability whatsoever nature and howsoever arising, whether in contract, tort or otherwise, shall be incurred by the Clearing House, the Exchange, the Board, any Director, the Chairman, any ~~HKEX~~ staff or a recognized exchange controller which is the controller of the Clearing House directly or indirectly in connection with any failure, error or defect in, or unavailability of, DCASS or any other equipment, systems, services or facilities of the Clearing House.

CHAPTER X

CCMS

Liability of HKCC Participants

1013. No action shall lie against and no liability whatsoever nature and howsoever arising, whether in contract, tort or otherwise, shall be incurred by the Clearing House, the Exchange, HKSCC, the Board, any Director, the Chairman, any ~~HKEX~~ staff or a recognized exchange controller which is the controller of the Clearing House directly or indirectly in connection with any failure, error or defect in, or unavailability of, CCMS or any other equipment, systems, services or facilities of the Clearing House.

**CLEARING HOUSE PROCEDURES FOR FUTURES/OPTIONS CONTRACTS
TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE
("HKATS")**

Chapter 2 Clearing and Settlement Procedures

2.11.2.1 Exchange Fund Note (EFN) Futures Contracts

- (b) HKCC Participants with short positions in the spot month EFN Futures shall complete and submit by facsimile to the Clearing House by 3:00 p.m. on the last trading day or such other time as may be specified by the Clearing House the “Notification of Designated Agent/Acceptable EFNs to be Delivered ~~Form 9~~” set forth in the DCASS Terminal User Guide (please see Appendix IVA—(1) for a sample of this form) specifying the particular issue(s) of EFNs from the Acceptable List, together with the corresponding quantities, that will be delivered by the HKCC Participant in satisfaction of its settlement obligations;

In the event of settlement failure for any reason, the affected HKCC Participants shall notify the Clearing House of the failure as soon as possible and in any event no later than 5:00 p.m. on the Final Settlement Day by submitting to the Clearing House by facsimile the “Notification of Settlement Failure in respect of Open Contracts in Exchange Fund Notes ~~Form 10~~” set forth in the DCASS Terminal User Guide (please see Appendix IVA—(2) for a sample of this form).

Chapter 5 Capital-Based Position Limits

5.1 Position Limits Prescribed by the Clearing House

Notification of an HKCC Participant’s initial Liquid Capital apportionment or any change thereof shall be made by such HKCC Participant submitting to the Clearing House an “Application/Change Request for Liquid Capital Apportionment ~~Form 11~~” set forth in the DCASS Terminal User Guide according to the schedule determined by the Clearing House from time to time. Any notification of changes to the apportionment received by the Clearing House before a time specified by the Clearing House from time to time, shall become effective on the same Business Day the notification is received by the Clearing House. Otherwise, changes to the apportionment shall become effective on the commencement of the T Session of the next Business Day following receipt of the notification by the Clearing House. Notwithstanding the foregoing, the Clearing House reserves the right to accept or reject any initial apportionment or change of apportionment notified to it at its sole discretion. If no apportionment is notified to the Clearing House, the Clearing House reserves the right to apportion the Liquid Capital on behalf of the HKCC Participant.

~~**HKFE CLEARING CORPORATION LIMITED**~~

~~7/F Inifinitus Plaza Fax: 2868 0134
199 Des Voeux Road Central Tel: 2211 6932
Hong Kong~~

~~**FORM 9 : Notification of Designated Agent / Acceptable EFNs to be delivered***~~

~~**Particulars of HKCC Participant**~~

HKCC Participant's Name :-	DCASS Customer Code :-
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~~**Contact Person for This Request Form**~~

Name :-	Tel. No. :-
Position :-	Fax No. :-

~~**I. Particulars of Designated Agent****~~

~~Name of Designated Agent: _____ CMU Member Code: _____
Contact Person of Designated Agent: _____ Tel: _____~~

~~* Delete as appropriate~~

~~** Each HKCC Participant must notify the Clearing House of any change in the particulars of the Designated Agent who will be making delivery of EFNs on behalf of the HKCC Participant under an EFN Futures Contract at least 14 Business Days prior to the last trading day of that EFN Futures Contract.~~

~~**II. Particulars of EFNs to be delivered**~~

~~We hereby confirm that the following EFNs will be delivered in settlement of our open positions in the spot month EFN Futures Contract:~~

EFN issue number	Quantity (Lots of HK\$50,000)	Nominal value (HK\$'000)	Short Position (No. of contracts)	A/C C, H, or MM	Remarks

~~Authorized Signature(s) of HKCC Participant (with company chop) _____~~

~~_____ Date~~

~~Name of Signatory(ies) : _____~~

FOR HKCC USE			
VERIFIED BY/DATE	CHECKED BY/DATE	APPROVED BY/DATE	REJECTED/DATE

~~**HKFE CLEARING CORPORATION LIMITED**~~

~~7/F Infinitus Plaza Fax: 2868 0134
199 Des Voeux Road Central Tel: 2211 6932
Hong Kong~~

~~**FORM 10 : NOTIFICATION OF SETTLEMENT FAILURE IN RESPECT OF OPEN CONTRACTS IN EXCHANGE FUND NOTES**~~

~~**Particulars of HKCC Participant**~~

HKCC Participant's Name :-	DCASS Customer Code :-
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~~**Contact Person for This Request Form**~~

Name :-	Tel. No. :-
Position :-	Fax No. :-

~~We hereby confirm that all open positions in Exchange Fund Note Futures Contracts set out in the Notification of Settlement Details provided to us by the Clearing House have been settled except the following positions:~~

Transaction reference	EFN issue number	D = Deliver R = Receive	Nominal value (HK\$'000)	Settlement amount (HK\$)	C = Client H = House M = MM	Nominal value (HK\$'000)	Settlement amount (HK\$)	C = Client H = House M = MM

~~Reason of settlement failure~~

~~A = Counterparty failed to make payment by deadline; B = Counterparty failed to deliver Exchange Fund Notes by deadline~~

~~Authorised Signature(s) of HKCC Participant (with company chop)~~

~~Date~~

~~Name of Signatory(ies) : _____~~

~~**FOR HKCC USE**~~

VERIFIED BY/DATE	CHECKED BY/DATE	APPROVED BY/DATE	REJECTED/DATE
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To: ~~Hong Kong Securities and Clearing Company Limited (“HKSCC”)
HKFE Clearing Corporation Limited (“HKCC”)
The SEHK Options Clearing House Limited (“SEOCH”)
(Fax no. 2579 0111 /2579 0033)~~

Date: _____

APPLICATION^{NOTE 1} / CHANGE REQUEST FOR LIQUID CAPITAL APPORTIONMENT

1. Particulars of Participant

Participant Name			
	HKSCC	HKCC	SEOCH
Participant ID			
Contact Person Name	1.	2.	
Contact Telephone Number			
Fax Number			

2. Apportionment of Liquid Capital (either in percentage or amount^{Note 2})

Apportionment of Liquid Capital	HKSCC	HKCC	SEOCH
<input type="checkbox"/> in percentage ^{Note 3}			
<input checked="" type="checkbox"/> in amount ^{Note 4}	HK\$	HK\$	HK\$

Authorised Signature(s) of HKSCC Participant
with company chop

Authorised Signature(s) of HKCC Participant
with company chop

Authorised Signature(s) of SEOCH Participant
with company chop

Note 1 For an applicant applying to become a participant of any Recognized Clearing House, the applicant is required to provide its Liquid Capital apportionment (or any change thereof in case the applicant is already a participant of at least one Recognized Clearing House) to the relevant Recognized Clearing House at least three Business Days before commencement of its new clearing participantship.

Note 2

Note 2 For Recognized Clearing House with no Liquid Capital to be apportioned, mark the corresponding box with “N/A”

Note 3 Total percentage must be less than or equal to 100%

Note 4 Total amount of Liquid Capital apportionment to be used for the purposes of the Recognized Clearing Houses must be less than or equal to the Liquid Capital as per the latest monthly return filed with the Commission under the Financial Resources Rules and received by the relevant Recognized Clearing House from the Commission

For HKSCC / HKCC / SEOCH Use

Action		
	Reviewer	Remarks
Accepted		
Rejected		
Apportionment effective on		