Rules and Procedures of HKFE Clearing Corporation Limited

CHAPTER IV

CLEARING HOUSE MARGIN, VARIATION ADJUSTMENT, COVER FOR MARGIN AND ACCOUNTS

Additional margin and intra-day variation adjustment

411. (a) On each Trading Day, the Clearing House will, unless in exceptional circumstances as determined by the Clearing House, call for intra-day variation adjustment(s) in accordance with the Clearing House Procedures in respect of all open Contracts held in all Markets and/or any Market by an HKCC Participant, according to such schedule as may be prescribed by the Clearing House from time to time.

In addition, ~~I~~if according to any intra-day assessment of the liabilities arising from the open Contracts of an HKCC Participant, any capital-based position limit imposed on the HKCC Participant in accordance with the Clearing House Procedures is determined by the Clearing House to have been exceeded, or if in the opinion of the Clearing House sudden fluctuations of any Market operated by the Exchange are apparent or where the Clearing House considers appropriate under any other circumstances, the Clearing House may, during the T Session or where applicable during the T+1 Session of any Trading Day, call for intra-day variation adjustment(s) and/or~~, in the latter case,~~ additional margin.

Special Block Trade Margin

411A. (a) If, in the opinion of the Clearing House or the Exchange, the executed price of a Block Trade is not fair and reasonable or a significant deviation exists between the executed price and the prevailing market price or between the executed price and the theoretical price determined by the Clearing House~~, or if a Block Trade is executed at such a price that an intra-day variation adjustment would have been triggered had the trade been executed or as if it has been executed as a normal trade in the Central Orderbook~~, the Clearing House may, within 30 minutes after the Block Trade is executed or after a trade adjustment request in respect of such Block Trade is submitted, call for a Special Block Trade Margin from the relevant HKCC Participant.

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

Chapter 2 Clearing and Settlement Procedures

2.8 Intra-day Variation Adjustments

On each Trading Day, the Clearing House will, unless in exceptional circumstances as determined by the Clearing House, call for intra-day variation adjustment(s) in respect of all open Contracts held in all Markets and/or any Market by an HKCC Participant, according to such schedule as may be prescribed by the Clearing House and published on the HKEX website from time to time.

In addition, ~~A~~at the close of the morning trading session of the Hang Seng Index Futures Market on each Business Day and at such other time as may be specified by the Clearing House on a Trading Day which is not a Business Day, the Clearing House will, unless otherwise determined by the Clearing House, perform an intra-day assessment of the gross and net margin liabilities of all the accounts of each HKCC Participant in DCASS in respect of all open Contracts held by the HKCC Participant in all Markets. Where such gross or net margin liability is determined by the Clearing House to have exceeded the gross or net capital-based position limit imposed on the HKCC Participant and calculated in accordance with section 5.1, the Clearing House may make an intra-day variation adjustment in respect of all open Contracts held by the HKCC Participant in all open Markets.

Furthermore, where the price movements in a Market are particularly volatile such that the applicable Clearing House margin in respect of that Market has been eroded by such level as may be prescribed by the Clearing House from time to time ~~approximately 25%~~ or where the Clearing House considers appropriate under any other circumstances, the Clearing House may make an intra-day variation adjustment in respect of all open Contracts held by an HKCC Participant in that Market and/or any other Market ~~whose underlying instrument is the same as or similar to the underlying instrument of that Market at the time of the intra-day variation adjustment~~.

The Clearing House will generate a report, which will set forth the amount which will be debited from or credited to the relevant CCMS Collateral Account of the HKCC Participant as a result of any intra-day variation adjustment.

To the extent that the collateral in the HKCC Participant's relevant CCMS Collateral Account is insufficient, funds required to satisfy an intra-day variation adjustment will be collected via the DMDS. HKCC Participants shall ensure that there are sufficient funds deposited in their DMDS bank accounts for debiting purpose. Unless otherwise permitted by the Clearing House, all margin calls for intra-day variation adjustments must be settled by cash in the Settlement Currency

and must be paid by the HKCC Participant on demand and in any event no later than one hour after the abovementioned report is issued to the HKCC Participant or such shorter period as may from time to time be prescribed by the Clearing House. Where the Settlement Currency of a Contract is not the same as the Currency of the Contract, intra-day variation adjustment payable on such Contract will be converted by the Clearing House from the Currency of the Contract into the Settlement Currency at the exchange rate determined by the Clearing House from such source and on such basis as it shall consider appropriate as soon as practicable after the intra-day variation adjustment arose. Any exchange rate risk arising from the conversion will be borne by the HKCC Participant.

No amount arising from an intra-day variation adjustment made pursuant to an intra-day assessment as mentioned above will be credited to an HKCC Participant. In any other case, for each type of Settlement Currency, where an intra-day variation adjustment is made ~~at or before 12:30 p.m.~~ on any day, any amount to be credited to the HKCC Participant as a result of the intra-day variation adjustment will be made by the Clearing House on the same day except that no payment will be made by the Clearing House (i) if the amount to be credited is HK$1 million or less or its non-Hong Kong Dollar currency equivalent based on the exchange rate determined by the Clearing House; ~~or~~ (ii) if the credit arises from Physical Delivery Contracts after the Last Trading Day; or (iii) if the intra-day variation adjustment is made after the cutoff time specified by the Clearing House and notified to HKCC Participant from time to time. Any amount to be credited as aforesaid will be made automatically via the DMDS to the DMDS bank account designated by the HKCC Participant. HKCC Participants shall ensure that standing instructions are given to the Clearing House for this purpose.

Notwithstanding the above, in the case of Physical Delivery Contracts after the Last Trading Day, as long as any cover provided by an HKCC Participant under section 2.6 is sufficient to satisfy an intra-day variation adjustment, no funds will be collected via the DMDS. To the extent that cover provided under section 2.6 is insufficient, the shortfall will be collected via the DMDS. Furthermore, no credit arising from intra-day variation adjustment on Physical Delivery Contracts after the Last Trading Day will be made to any HKCC Participant as mentioned above, or used to offset any Clearing House margin liabilities of the HKCC Participant.

Some of the Markets may remain open on public holidays in Hong Kong. HKCC Participants are advised to arrange additional cover to deal with any potential intra-day variation adjustment call. If an HKCC Participant is unable to meet its intra-day variation adjustment calls by the prescribed deadline for any reason, it shall constitute an event of default. Without prejudice to Rule 510, the Clearing House may restrict such HKCC Participant from opening new positions and may require compulsory close-outs where circumstances warrant such action.

2.8A Special Block Trade Margin

If in the opinion of the Clearing House or the Exchange, the executed price of a Block Trade is not fair and reasonable or a significant deviation exists between the

executed price and the prevailing market price or between the executed price and the theoretical price determined by the Clearing House, ~~or if a Block Trade is executed at such a price that an intra-day variation adjustment would have been triggered had the trade been executed or as if it has been executed as a normal trade in the Central Orderbook,~~ the Clearing House may, within 30 minutes after the Block Trade is executed or after a trade adjustment request in respect of such Block Trade is submitted, call for a Special Block Trade Margin from the relevant HKCC Participant.