

**Rules and Procedures of HKFE Clearing Corporation Limited**

**CHAPTER I**

**INTERPRETATION**

Notice and other communications

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 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 website will constitute written notice for the purpose of these Rules.

106A. Unless otherwise provided in these Rules, all notices from HKCC Participants to HKCC shall be given in writing and sent to HKCC in person, by facsimile, by post or such other means as may be acceptable to HKCC. Notice by HKCC Participants to HKCC shall be deemed to have been given at the time of receipt by HKCC.

All instructions and communications to HKCC by, with the authority of, on behalf of and/or for the account of HKCC Participants shall be given in such manner and form as may be prescribed by or acceptable to HKCC from time to time.

HKCC shall be entitled to accept and rely on any instruction or communication given or purporting to be given to it by, with the authority of, on behalf of or for the account of an HKCC Participant, whether or not in strict compliance with the prescribed manner or form or any applicable limitation on authority of, which is understood or believed by HKCC in good faith to have been given to it by, with the authority of, on behalf of or for the account of such HKCC Participant.

HKCC shall have no obligation to act on any instruction or communication given or purported to be given by, with the authority of, on behalf of or for the account of an HKCC Participant if such instruction does not, in the determination of HKCC, contain sufficient details for HKCC to act upon it.

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

The Clearing House Procedures below outline the registration, settlement, clearing and margining procedures for the Futures / Options Contracts (in these procedures, referred to as “Contracts”) traded on HKATS. These procedures are divided into the following chapters:- Chapter 1 – Registration Procedures; Chapter 2 – Clearing and Settlement Procedures; Chapter 2A – Settlement of Physical Delivery Contracts; Chapter 3 – Clearing Documentation; Chapter 4 – Reserve Fund Contribution; Chapter 5 – Capital-Based Position Limits; Chapter 6 – Typhoons, Extreme Conditions and Rainstorms; Chapter 7 – Clearing Service Termination Event and Chapter 8 - HKCC Failure to Pay Event and HKCC Insolvency Event.

### **Chapter 1                      Registration Procedures**

#### **1.4      Trade and Position Adjustment**

##### *1.4.3    Position Adjustment*

The types of position adjustment available to an HKCC Participant include (1) position closing and re-opening (as more particularly described in section 1.5 below), (2) internal position transfer between different accounts of the HKCC Participant, (3) external position transfer from an account of the HKCC Participant to an account of another HKCC Participant and (4) position netting within an account. Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit position adjustment requests to the Clearing House using DCASS.

An HKCC Participant may submit position adjustment requests to the Clearing House at any time prior to the System Input Cutoff Time on a Business Day and, if the T+1 Session is applicable to an Exchange Contract, position adjustment requests in respect of positions in such Exchange Contract and any other Exchange Contract which is specified in its Contract Specifications to be fungible to such Exchange Contract may also be submitted from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time, except for requests relating to:

~~(i) — position closing between option series of Flexible Options and standard series which have the same underlying commodity with the same option type, Strike Price and Expiry Day (“position closing between Flexible and standard Option series”); and~~

~~(ii) — external position transfers,~~

which must be made by the HKCC Participant completing and submitting to the Clearing House the relevant forms available from the HKEX website or such other channels as HKCC may from time to time notify HKCC Participants, no later than such deadlines as may be prescribed by the Clearing House from time to time and stated in the relevant form.

If the HKCC Participant wishes to have the position adjustment for position closing between Flexible and standard Option series ~~or external position transfer~~ processed on the same Business Day, the relevant position adjustment request forms must be received by the Clearing House no later than the System Input Cutoff Time on that Business Day. If the T+1 Session is applicable, the relevant position adjustment request forms received by the Clearing House after the System Input Cutoff Time but before the T+1 Session Cutoff Time will be processed by the Clearing House on the same Business Day on a best efforts basis.

With regard to requests for external position transfers, both the transferring and receiving HKCC Participant must ~~duly complete and submit~~ and confirm such transfer requests to the Clearing House the relevant form available from the HKEX website. Any request for external position transfer will become effective when such request has been accepted by the Clearing House. Any position the transfer of which is not confirmed by the receiving HKCC Participant or the transfer request of which is rejected by the Clearing House will remain as the position of the transferring HKCC Participant. With regard to any request for external position transfer of positions in a Client Offset Claim Account of an HKCC Participant upon the occurrence of an event of default, the transfer must be for all, but not part, of the positions in that account.

With regard to position netting within an account, DCASS allows HKCC Participants to specify and close out any number of long and short positions in a series within any account other than the Sink Account and Daily Account.

Notwithstanding the foregoing, the Clearing House may in its absolute discretion accept or reject any position adjustment request.

## 1.5 Position Closing and Re-opening

### 1.5.2 *Re-Opening of Positions*

HKCC Participants wishing to re-open positions must ~~duly complete and submit the relevant form available from the HKEX website~~ position re-opening requests to the Clearing House using DCASS no later than such deadline as may be prescribed by the Clearing House from time to time ~~and stated in the form~~, except for re-opening requests relating to:

- (i) positions previously closed under position closing between Flexible and standard Option series; and

(ii) positions previously closed by any trade adjustment or position transfer by an HKCC Participant,

which must be made by the HKCC Participant completing and submitting to the Clearing House the relevant form available from the HKEX website or such other channels as HKCC may from time to time notify HKCC Participants no later than such deadlines as may be prescribed by the Clearing House from time to time and stated in the form.

Any position re-opening requests submitted to the Clearing House using DCASS or the relevant form will become effective when such request has been accepted by the Clearing House. Any position re-opening request which is rejected by the Clearing House will remain as closed.

Each HKCC Participant making a position re-opening request shall provide to the Clearing House such information as it may require relating to the position re-opening, including the reason therefor.

Notwithstanding the foregoing, the Clearing House reserves the right to accept or reject any request at any time at its sole discretion.

*1.5.3 (deleted)*

1.6 On-behalf-of Processing

In case HKCC Participants cannot perform post-trade adjustment functions via DCASS due to technical or other reasons, they may request the Clearing House to input post-trade adjustment requests into DCASS on its behalf by completing and submitting to the Clearing House the relevant forms available from the HKEX website or such other channels as HKCC may from time to time notify HKCC Participants, no later than such deadline as may be prescribed by the Clearing House from time to time and stated in the form.

On-behalf-of processing is provided by the Clearing House subject to the availability of its resources and subject to the payment by the HKCC Participant of such processing fee as may be prescribed by the Clearing House from time to time. In the event that demand on its resources exceeds its capacity to service all requests within a particular time, it may assign priorities in such manner as it in its absolute discretion considers appropriate. The Clearing House does not warrant that a request will be processed by a particular time. Neither the Clearing House, the Exchange, nor a recognized exchange controller which is the controller of the Clearing House shall be liable to any HKCC Participant whether in contract, tort or otherwise for any direct, consequential, special, indirect, punitive or other damages that may be suffered or incurred by the HKCC Participant or any other person as a result of the execution or processing of instructions, or its failing to execute or process instructions, on behalf of the HKCC Participant.