

Rules and Procedures of HKFE Clearing Corporation Limited

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

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, call for a Special Block Trade Margin from the relevant HKCC Participant.

CHAPTER V
LIMITS AND DEFAULTS

Powers of the Chairman on default

510. Notwithstanding any other provision of these Rules, the Clearing House may by decision of the Chairman or his designee take any of the following actions or such other action as the Chairman or his designee may think fit against an HKCC Participant upon the occurrence of an event of default without the need for any prior notice to or consent of the HKCC Participant:
- (ba) to sell any or all of the open Contracts registered in that HKCC Participant's name by auction and/or private arrangement on-market or off-market and to appoint any person as its agent to conduct the sale;
 - (d) to realize any non-cash collateral deposited by the HKCC Participant pursuant to Rule 404 by public or private sale for the account of the HKCC Participant and to appoint any person to execute any document for such purpose in the name and on behalf of the HKCC Participant and (subject to Rule 415(b) and Rule 416) to apply the proceeds of any such non-cash collateral in or towards the satisfaction of any amount due to the Clearing House;

- (h) to hedge the risk posed by any or all of the open Contracts registered in the name of the HKCC Participants by appointing any person to take appropriate positions via auction and/or private arrangement or by the Clearing House taking appropriate positions directly in any markets, including those Markets operated by the Exchange, on behalf of such defaulting HKCC Participant, as directed by the Chairman after consultation with the Commission;

Compulsory closing out, transfer, sale and settlement

513. Where the Clearing House exercises its powers under these Rules:

- (a) to transfer a Contract compulsorily or to require an HKCC participant to transfer a Contract, such transfer shall be effected pursuant to Rule 313; or
- (b) to sell Contracts by auction or private arrangement, the Clearing House shall have the absolute discretion to determine the selling price of such Contract

and the defaulting HKCC Participant shall be deemed to have given its consent to such transfer or sale.

515. (a) Every defaulting HKCC Participant shall indemnify the Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House in respect of any costs, loss, interests or other expenses incurred by it in effecting the transfer, closing out, sale or settlement of any Contract in pursuance of the powers of the Clearing House.

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

Chapter 1 Registration Procedures

1.4 Trade Adjustment Procedures

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.

An HKCC Participant may directly submit position adjustment requests to the Clearing House using DCASS at any time prior to the System Input Cutoff Time on a Business Day, 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”);
- (ii) external position transfers; and
- (iii) position re-opening

which must be submitted by the HKCC Participant by completing and signing the prescribed Form 4 “On-Behalf Internal Position Adjustment Request Form” for position closing between Flexible and standard Option series, Form 5 “External Position Transfer Request Form” for external position transfers and Form 6 “Annulment of Position Netting Request Form” for position re-opening set forth in Appendices II-1, II-2 and II-3 to these Clearing House Procedures and sending them by facsimile to the Clearing House. If the HKCC Participant wishes to have the position adjustment processed on the same Business Day, position adjustment request forms for position closing between Flexible and standard Option series should be received by the Clearing House no later than the System Input Cutoff Time whereas forms for external position transfer and position re-opening should be received by the Clearing House no later than one hour prior to the System Input Cutoff Time on that Business Day. Any request received by the Clearing House after the prescribed time on a Business Day will be processed by the Clearing House on the following Business Day provided that no position re-opening request will be accepted by the Clearing House at any time after the prescribed time on the fifth Business Day after the closing of the relevant positions.

With regard to external position transfers, both the transferring and receiving HKCC Participant must sign Form 5 “External Position Transfer Request Form” set forth in Appendix II-2 before submitting it to the Clearing House. 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

1.5.1 *Closing of Positions*

Except for position closing between Flexible and standard Option series, position close adjustments only apply to Omnibus Client Accounts as positions in Omnibus Client Accounts are maintained on a gross long and short basis, and HKCC Participants do not need to instruct the Clearing House to close positions in the House, Individual Client and Market Maker Accounts since positions in these accounts are netted automatically.

The Clearing House will consider all positions in the Omnibus Client Account of an HKCC Participant as “open” positions unless the HKCC Participant instructs the Clearing House otherwise.

Except for position closing between Flexible and standard Option series, HKCC Participants wishing to close out positions in the Omnibus Client Account may directly submit position adjustment requests to the Clearing House using DCASS at any time prior to the System Input Cutoff Time on a Business Day.

Except for position closing between HSI Futures and Mini-HSI Futures Contracts at the ratio of one HSI Futures Contract against five Mini-HSI Futures Contracts, for position closing between HSI Options and Mini-HSI Options Contracts at the ratio of one HSI Options Contract against five Mini-HSI Options Contracts and for position closing between HSCEI Futures and Mini-HSCEI Futures Contracts at the ratio of one HSCEI Futures Contract against five Mini-HSCEI Futures Contracts, the closing of positions may only be effected in respect of positions of the same Contract.

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

Chapter 2 Settlement Procedures

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, call for a Special Block Trade Margin from the relevant HKCC Participant.

HKFE CLEARING CORPORATION LIMITED

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199 Des Voeux Road Central
Hong Kong

Fax: 2868 0134
Tel: 2211 6932

FORM 4 : ON-BEHALF INTERNAL POSITION ADJUSTMENT REQUEST FORM

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. :

Details of Position Adjustment

Internal Account Position Transfer

	Old Account	New Account	Series	Long Transfer	Short Transfer	O/C/N/D
1.						
2.						
3.						
4.						
5.						

Justification:

Position Netting for the Same Series

	Account	Series	Net Down By
1.			
2.			
3.			
4.			
5.			

Position Netting between Different Series (e.g. HSI Futures vs Min-HSI Futures, HSI Options vs HSI Flexible Options)

	Account	Series A*	Long Net Down By	Short Net Down By	Series B*	Long Net Down By	Short Net Down By
1.							
2.							
3.							
4.							
5.							

* The series under the fields "Series A" and "Series B" in the same row should have the same underlying commodity, contract month, strike price, option type but with opposite positions at a ratio as stipulated in the Clearing House Procedures 1.5.1.

Authorised Signature(s) of HKCC Participant

Date

Name of Signatory(ies) : _____

FOR HKCC USE				
VERIFIED/ DATE	APPROVED/ DATE	INPUT	INPUT DATE/ TIME	CHECKED/ DATE

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FORM 6 : ANNULMENT OF POSITION NETTING REQUEST FORM

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. :

Details of Position Netting to be annulled

Note: Any request to annul a previous position netting which has been done for more than FIVE business days will NOT be entertained.

Request for : positions in the same serie

	Date of Netting	Account	Series	Trade No.	Buy/Sell	Original Quantity of Net Down*	Quantity to be Reopened
1.							
2.							
3.							
Justification:							

Request for : positions between different series (e.g. HSI Futures vs Min-HSI Futures, HSI Options vs HSI Flexible Options)

	Trade Date	Account	Series A**	Original Long Net Down*	Original Short Net Down*	Series B**	Original Long Net Down*	Original Short Net Down*
1.								
2.								
3.								
Justification:								

Authorised Signature(s) of HKCC Participant

Date

Name of Signatory(ies) : _____

* The "Original Quantity of Net Down", "Original Long Net Down" and "Original Short Net Down" should be of the same quantity as that of the previous position net down.

** The series under the fields "Series A" and "Series B" in the same row should have the same underlying commodity, contract month, strike price, option type but with opposite positions at a ratio as stipulated in the Clearing House Procedures 1.5.1.

FOR HKCC USE				
VERIFIED/ DATE	APPROVED/ DATE	INPUT	INPUT DATE/ TIME	CHECKED/ DATE

HKEX 香港交易所

Appendix II-4 (Deleted)

Appendix II-5 (Deleted)