

Rules and Procedures of HKFE Clearing Corporation Limited

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 Agreement” means an agreement between a Non-Clearing Participant and a General Clearing Participant in the terms provided for in Rules 314 to 319;

CHAPTER II

HKCC PARTICIPANTSHIP

Resignation and reimbursement of HKCC Participants’ Deposits and HKCC Participant Additional Deposits

217. (a) An HKCC Participant which wishes to resign its HKCC Participantship must give the Clearing House notice in writing of its intention to resign.
- (aa) A resigning HKCC Participant’s HKCC Participantship will be terminated at such time as may be specified by the Clearing House and notified to the resigning HKCC Participant.
- (b) Two months after the effective date of termination of its HKCC Participantship, an HKCC Participant has a right to reimbursement of an amount equal to its HKCC Participant’s Deposit, without interest, subject to the following provisions of this Rule.
- (c) If the aggregate amount of all HKCC Participants’ Deposits standing to the credit of the Reserve Fund has been reduced by virtue of a payment made in accordance with Rule 706(a) and (c) (iii) in the period between the date upon which it first paid its HKCC Participant’s Deposit and the effective date of termination of its HKCC Participantship ("a Claims Payment"), the amount to be reimbursed to an HKCC Participant pursuant to paragraph (b) of this Rule shall be reduced in respect of each Claims Payment made in the said period by an amount equal to

$$A \times \frac{B}{C}$$

Where,

- A equals the amount by which all HKCC Participants' Deposits standing to the credit of the Reserve Fund have been reduced by virtue of any Claims Payment ("the relevant amount") less such part of any amount recovered by the Clearing House in respect of the default which produced the Claims Payment and credited to the Reserve Fund in the period between the date upon which it first paid its HKCC Participant's Deposit and the effective date of termination of its HKCC Participantship as shall bear the same proportion to the whole of such amount recovered as the relevant amount bears to the Claims Payment;
- B equals the amount of the HKCC Participant's Deposit of the HKCC Participant in question held by HKCC immediately prior to the payment of the Claims Payment or, in the case of more than one Claims Payment, the HKCC Participant's Deposit of the HKCC Participant in question held by HKCC immediately prior to the payment of the Claims Payment net of any amount or amounts which fall to be deducted in respect of a previous Claims Payment or Claims Payments; and
- C equals the aggregate amount of all HKCC Participants' Deposits held by the Clearing House immediately prior to the payment of the Claims Payment, or in the case of more than one Claims Payment, the aggregate amount of all HKCC Participants' Deposits held by the Clearing House immediately prior to the payment of the Claims Payment net of the aggregate amounts which fall to be deducted in respect of a previous Claims Payment or Claims Payments.

For the avoidance of doubt, calculations (using the above formula) in respect of each Claims Payment to determine the amount to be reimbursed to an HKCC Participant in respect of its HKCC Participant's Deposit shall be carried out on the effective date of termination of its HKCC Participantship.

- (e) Until the effective date of termination of its HKCC Participantship, an HKCC Participant shall remain bound by all the provisions of these Rules.
- (f) A Resignation Notice may only be revoked before the effective date of termination of its HKCC Participantship with the prior written consent of the Clearing House. The resigning HKCC Participant is required to submit a written request to the Clearing House giving reasons for the revocation.
- (g) Every HKCC Participant which has given a Resignation Notice:
 - (i) is under a duty immediately to submit to the Clearing House a program for the winding down of all positions held by it, by closing out, trading out or transferring all the open Contracts held or controlled by it and, except with the prior consent of the Clearing House, shall adhere to that program until the effective date of termination of its HKCC Participantship; and
 - (ii) shall not, except with the consent of, or as directed by, the Clearing House, create any open positions.

- (i) If the Clearing House is satisfied that an HKCC Participant is resigning its HKCC Participantship pursuant to a reorganisation of the group of companies of which the HKCC Participant is a member and in circumstances where another company in the same group is to become an HKCC Participant and to continue the business of the existing HKCC Participant in place of the existing HKCC Participant; and for this purpose a company shall be in the same group as another company if, in the opinion of the Clearing House, the ultimate beneficial owners of both companies are the same or substantially the same, then, upon written application of the resigning HKCC Participant, the Clearing House may issue a written notice exempting that HKCC Participant from compliance with paragraphs (g) and (h) of this Rule 217 and, if the Clearing House thinks fit, allowing the resigning HKCC Participant's Deposit and any Participant Additional Deposit to be credited to the new HKCC Participant with effect from a date stipulated by the Clearing House (such date not to be later than the date upon which the new HKCC Participant becomes an HKCC Participant). Any such notice may be issued on such conditions as the Clearing House thinks fit. The Clearing House shall have an absolute discretion to determine whether or not the ultimate beneficial ownership of companies is "the same or substantially the same" and the Clearing House's decision in relation to the same shall be final and binding.

Transitional

218. The Board may prescribe transitional provisions applicable to the HKCC Participants which become HKCC Participants immediately upon, or which have already given a Resignation Notice to the Clearing House upon, the adoption of these Rules. In particular, the Board may prescribe rules or procedures whereby HKCC Participants' Deposits may be paid by instalments (including provisions whereby interest shall accrue on any overdue instalment).

CHAPTER III

REGISTRATION, CLEARING, RISK

Clearing agreements

314. (a) Each General Clearing Participant shall enter into a Clearing Agreement in such form and containing such provisions as may from time to time be required by the Clearing House with each Non-Clearing Participant for which it proposes to clear trades. Except as otherwise prescribed by the Clearing House, no General Clearing Participant may clear trades for a Non-Clearing Participant until such Clearing Agreement has been signed by both parties.
- (b) Each General Clearing Participant shall notify the Clearing House forthwith on the execution of each Clearing Agreement, identifying the name of the relevant Non-Clearing Participant. Such notification shall be in such form as the Clearing House may from time to time specify. The GCP shall, at the request of the Clearing House, supply it with a certified copy of the executed Clearing Agreement.
317. The form of Clearing Agreement must facilitate the performance of, and be consistent with, the obligations of the General Clearing Participant under these Rules.

319. (a) A General Clearing Participant shall give prior written notice to the Clearing House if it or any of its Non-Clearing Participants 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 Exchange Rules.
- (b) When the Clearing House receives a termination notice from the GCP or when HKCC receives notification from the Exchange that notice to terminate the Clearing Agreement had been given by an NCP, the Clearing House will issue a confirmation of termination to the General Clearing Participant (with a copy to the Non-Clearing Participant concerned) in writing and unless and until written acknowledgement has been issued to the General Clearing Participant, the Clearing Agreement shall be treated as valid, binding and effective by the Clearing House for the purposes of these Rules notwithstanding any provision to the contrary in the Clearing Agreement and/or the termination notice from the GCP or the NCP and the General Clearing Participant shall continue to be bound by the Clearing Agreement and responsible for all the Contracts concluded by such Non-Clearing Participant.
- (c) Notwithstanding the above, the Clearing Agreement is deemed to be terminated when the General Clearing Participant has resigned or is suspended or revoked from HKCC Participantship or when its access to DCASS and/or CCMS is suspended or revoked under the HKCC Rules.
- (d) The termination of the Clearing Agreement between a General Clearing Participant and a Non-Clearing Participant 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 General Clearing Participant and Non-Clearing Participant, the Clearing House may continue to treat the General Clearing Participant as the General Clearing Participant of the Non-Clearing Participant.

CHAPTER V

LIMITS AND DEFAULTS

Revocation and effect of revocation

519. (d) The HKCC Participant shall be entitled to reimbursement, without interest, of an amount in respect of its HKCC Participant's Deposit and for the purpose of calculating the amount to be reimbursed, the HKCC Participant shall be deemed to have given, on the date on which the revocation takes effect, an irrevocable Resignation Notice and the provisions of Rule 217(c) and (d) (but no other provisions of Rule 217) shall be applied accordingly. All references in Rule 217(c), howsoever phrased, to the effective date of termination of its HKCC Participantship shall be construed as references to the date on which the revocation takes effect. Reimbursement shall be made two months after the Clearing House has determined if all or part of the HKCC Participant's Deposit of the HKCC Participant shall be forfeited under Rule 511. Reimbursement of HKCC Participant Additional Deposit will be made in accordance with the Clearing House Procedures.
- (e) In addition to any other grounds for revocation, the Clearing House shall have the power to revoke any HKCC Participantship if, in the opinion of the Clearing House, the HKCC Participant is not suitable to remain as an HKCC Participant.

CHAPTER VIII

EMERGENCIES

Typhoon and black rainstorm warning procedures

802. Except as otherwise determined by the Clearing House and/or the Exchange, the following shall apply:-

(a) Clearing and Settlement Services

Where, however, a typhoon signal no. 8 or a black rainstorm warning is lowered or discontinued at or before 12:00 noon, normal clearing and settlement services will resume two hours thereafter.

(d) Withdrawal Requests

If the typhoon signal no. 8 is lowered or a black rainstorm warning is discontinued at or before 12:00 noon on any Business Day, withdrawal requests will be processed on a best effort basis and subject to the availability of the applicable services of corresponding banks.

**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*

(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 the System Input Cutoff Time on that Business Day.

1.5 Position Closing and Re-opening

1.5.2 *Re-Opening of Client Positions which have been Previously Closed*

HKCC Participants wishing to re-open previously closed Client positions must complete and sign Form 6 “Annulment of Position Netting Request Form” (see Appendix II-3 for a sample of such form) and the completed form must be submitted by facsimile to the Clearing House no later than the System Input Cutoff Time on the fifth Business Day after the closing of the positions. Any request submitted later than the System Input Cutoff Time will be rejected by the Clearing House and HKCC Participants will be required to submit the request again on the next Business Day before the System Input Cutoff Time.

Chapter 4 Reserve Fund Contribution

4.6 Termination of HKCC Participantship

The HKCC Participantship of any HKCC Participant can be terminated in any of the following ways:

4.6.1 *Resignation*

- a) As required by HKCC Rule 217, any HKCC Participant wishing to resign from HKCC Participantship must give the Clearing House notice in writing of such intention.
- d) If the Clearing House has forfeited all or part of an HKCC Participant’s HKCC Participant Additional Deposit in accordance with HKCC Rule 511, the HKCC Participant’s right to reimbursement shall be further reduced by an amount equal to the amount so forfeited.
- e) Two months after the effective date of termination of its HKCC Participantship, the resigning HKCC Participant has the right to reimbursement of any remaining balance of its HKCC Participant Additional Deposit.

4.6.2 *Revocation of HKCC Participantship*

The HKCC Participantship of an HKCC Participant may be revoked pursuant to disciplinary powers exercised against the HKCC Participant under HKCC Rule 517 or by the Clearing House under HKCC Rule 519(e).

The HKCC Participant Additional Deposit of the HKCC Participant will be refunded according to the conditions described in section 4.6.1 provided that no such refund shall be made until after the Clearing House has determined if all or part of the HKCC Participant Additional Deposit of the HKCC Participant shall be forfeited under HKCC Rule 511.

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Hong Kong

Fax: 2868 0134
Tel: 2211 6932

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

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 BY/ DATE

HKFE CLEARING CORPORATION LIMITED

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Tel: 2211 6932

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	Counterparty CMU code	Reason ¹ A or B

¹ 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 BY/ DATE