

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 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.
- (c) A Block Trade will not be registered and novated with the Clearing House unless any Special Block Trade Margin in respect of the Block Trade is paid or otherwise considered by the Clearing House to have been satisfied by the prescribed time. Any trade adjustment request in respect of Block Trade will not be accepted by the Clearing House unless any Special Block Trade Margin arising from such trade adjustment is paid or otherwise considered by the Clearing House to have been satisfied by the prescribed time.

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

Chapter 1 Registration Procedures

1.4 Trade and Position Adjustment

1.4.1 Trade Adjustment

For trades (other than Block Trades) executed during the T Session on a Business Day, trade adjustment requests may be submitted at any time prior to the System Input Cutoff Time on the same Business Day or, except for requests relating to the grouping of separate trades into an average price trade, at any time prior to the System Input Cutoff Time on the next Business Day. For trades (other than Block Trades) executed during the T+1 Session on a Business Day, trade adjustment requests may be submitted at any time prior to the System Input Cutoff Time on the next Business Day.

For Block Trades executed during the T Session on a Business Day, trade adjustment request may be submitted at any time 30 minutes prior to the System Input Cutoff Time on the same Business Day or 30 minutes prior to the System Input Cutoff Time on the next Business Day. For Block Trades executed during the T+1 Session on a Business Day, trade adjustment requests may be submitted at any time 30 minutes prior to the T+1 Session Cutoff Time on the same Business Day or 30 minutes prior to the System Input Cutoff Time on the next Business Day.

Trade adjustment requests in respect of a Block Trade will be rejected by the Clearing House if the Block Trade is determined by the Clearing House to be invalid for any reason. In the event that a trade adjustment request relates to the internal or external transfer of a valid Block Trade, but the trade adjustment request is subsequently determined by the Clearing House or the Exchange to be invalid for any reason (including where the transferring or receiving HKCC Participant fails to pay or otherwise satisfy any Special Block Trade Margin arising from the trade adjustment request by the prescribed time), such trade adjustment request will be rejected by the Clearing House.

Chapter 2 Clearing and Settlement Procedures

2.8 Intra-day Variation Adjustments

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.

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.

To the extent that the collateral in the HKCC Participant's relevant CCMS Collateral Account is insufficient to satisfy the Special Block Trade Margin, the Clearing House will generate a Special Block Trade Margin report and any Special Block Trade Margin payable by the HKCC Participant will be debited from its relevant DMDS bank account. The HKCC Participant shall ensure that there are sufficient funds deposited in its DMDS bank account for debiting purpose.

Some of the Markets may remain open after normal banking hours or on public holidays in Hong Kong. HKCC Participants are advised to arrange additional cover to deal with any potential Special Block Trade Margin.

If an HKCC Participant is unable to pay or otherwise satisfy any Special Block Trade Margin in respect of a Block Trade by the prescribed deadline for any reason (including where the Block Trade is executed during the T+1 Session during which no debit can be made from its relevant DMDS bank account and there is insufficient collateral in its CCMS Collateral Account to satisfy the Special Block Trade Margin), the Block Trade shall, without notice being required to be given to the HKCC Participant, be deleted from HKATS and DCASS as if the Block Trade had never been executed and will not be registered with or novated or cleared by the Clearing House.

If an HKCC Participant is unable to pay or otherwise satisfy any Special Block Trade Margin arising from a trade adjustment request submitted in respect of a Block Trade by the prescribed deadline for any reason (including where the request is submitted between the commencement of the T+1 Session and the T+1 Session Cutoff Time during which no debit can be made from its relevant DMDS bank account and there is insufficient collateral in its CCMS Collateral Account to satisfy the Special Block Trade Margin), the trade adjustment request will be rejected by the Clearing House.