

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:-

“Default Information” means any information provided by the Clearing House to a Receiving HKCC Participant relating to a Defaulting HKCC Participant including any information given relating to any action carried out pursuant to Rule 510;

“Permitted Purpose” means any purpose, the objective of which is to allow the Receiving HKCC Participant to assist the Clearing House in any actions HKCC chooses to take pursuant to Rule 510;

“Receiving HKCC Participant” has the meaning given to it in Rule 513A(a);

“Receiving HKCC Participant Affiliates” means, in relation to a Receiving HKCC Participant, any subsidiary or holding company, or a subsidiary of a holding company of that Receiving HKCC Participant. For the purposes of this definition, the terms "holding company" and "subsidiary" shall bear the same respective meanings herein as in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

References to any law or regulation in these Rules shall be construed as references to such law or regulation as in force from time to time.

Words importing the singular number only include the plural and vice versa, where the context so permits. Words importing masculine gender shall include feminine and neuter gender.

Headings are inserted for convenience only and shall not affect the construction of these Rules.

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 declare an HKCC Participant to be a Defaulter and/or take any of the following actions or such other action as the Chairman may think fit against the HKCC Participant upon the occurrence of an event of default without the need for any prior notice to or consent of the HKCC Participant:

- (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

513A. (a) Each HKCC Participant agrees and undertakes that, in consideration of it being provided with Default Information (in such capacity a “Receiving HKCC Participant”) it shall: (i) keep the Default Information strictly confidential and secure; (ii) only use the Default Information for the Permitted

- Purpose; and (iii) only disclose the Default Information to its employees, officers, representatives, advisers or Receiving HKCC Participant Affiliates for the Permitted Purpose (and to that extent only) and on a strict need to know basis.
- (b) Upon demand by the Clearing House and to the extent reasonably practicable, and in any event upon conclusion of the actions set out in Rule 510, the Receiving HKCC Participant shall promptly return to the Clearing House all or any part of the Default Information in its possession or the possession of any of its employees, officers, representatives, adviser or Receiving HKCC Participant Affiliates in whatever form it may be by a secure method or destroy or procure the destruction of any copies or reproductions of any material, paper, programme or record incorporating the Default Information including the destruction or expungement thereof from any memory device or medium, provided that the Receiving HKCC Participant may retain copies of any Default Information as required by law. Upon demand by the Clearing House, the Receiving HKCC Participant shall provide to the Clearing House a written confirmation that it has fully complied with the foregoing.
- (c) Each Receiving HKCC Participant shall establish adequate procedures and mechanisms to ensure that the Default Information is, at all times, solely used for the Permitted Purpose by it and any of its employees, officers, representatives, advisers or Receiving HKCC Participant Affiliates.
- (d) Nothing in these Rules shall prohibit disclosure or use of the Default Information if and to the extent: (i) it becomes publicly available other than as a result of a breach of these Rules by the Receiving HKCC Participant; (ii) the Receiving HKCC Participant is required to do so by order of a court of competent jurisdiction which arises as a result of the application of a third party; (iii) the Receiving HKCC Participant is required or requested to do so by any governmental authority which exercises a regulatory or supervisory function over the Receiving HKCC Participant; or (iv) the Clearing House has given prior written approval to the disclosure.