

**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:-

“Acceptance Notice”	means a notice to be provided by a Buyer under a Physically Settled Metal Futures Contract in the form prescribed and published by the Clearing House from time to time;
“additional margin”	means additional Clearing House margin demanded pursuant to Rule 411;
“Adjusted Capital”	in respect of a General Clearing Participant which is a Registered Institution, means the minimum of its: (i) High Quality Liquid Assets – Total Net Cash Outflows over the next 30 calendar days (in each case as described in the latest financial information and accounts supplied to the Clearing House under Rule 214D) and (ii) Tier 1 capital;
“Approved Depository”	means, in respect of a Physically Settled Metal Futures Contract, a depository for precious metals approved by the Clearing House and included on the list of Approved Depositories published by the Clearing House from time to time;
“Approved Depository Account Agreement”	means an agreement between an HKCC Participant and an Approved Depository containing such terms as may be specified by the Clearing House;
“Approved Settlement Bank”	means a bank designated by an HKCC Participant and appointed by HKCC from time to time as being eligible for money settlements in relation to clearing services provided by HKCC through either internal fund transfers or fund transfers to and from a Prime Settlement Bank;

“Arbitration Rules”	has the meaning given to it in section 2A.3.5(k) of the Clearing House Procedures;
“Assessments”	means additional contributions to the Reserve Fund provided or required to be provided by an HKCC Participant pursuant to Rule 707A;
“Authorized Person”	has the same meaning as in the Exchange Rules;
“Bank Business Day”	means, in relation to a jurisdiction outside Hong Kong, a day (except a Saturday, Sunday, and public holiday) on which banks in that jurisdiction are open for business;
“Base Currency”	means Hong Kong dollars, or such other currency as designated by the Clearing House and notified to HKCC Participants from time to time;
“Block Trade”	bears the same meaning as in the Exchange Rules;
“Board”	means the Board of directors of the Clearing House;
“Business Day”	means a day other than a Saturday, Sunday or public holiday in Hong Kong;
“Buyer”	means the HKCC Participant registered as the buyer of an F/O Contract pursuant to these Rules;
“Capped Liability Period”	means the period beginning from the date on which the Clearing House declares an HKCC Participant to be a Defaulter for an event of default and ending on the 5th Business Day following such declaration, provided that each time another HKCC Participant is declared a Defaulter for an event of default during a prevailing Capped Liability Period, such Capped Liability Period shall be extended until the 5th Business Day following each such declaration and no new Capped Liability Period will be established for such declaration;

“Cash Compensation”	means the amount payable upon a delivery or settlement failure under a Physically Settled Metal Futures Contract as calculated in accordance with section 2A.3.3 of the Clearing House Procedures;
“Cash Settled Contract”	means a Contract which shall be performed by cash settlement rather than by delivery of the underlying commodity;
“Cash Settled Metal Futures Contract”	means a Metal Futures Contract which is a Cash Settled Contract;
“CCASS”	means the Central Clearing and Settlement System established and operated by HKSCC;
“CCMS”	means the Common Collateral Management System, a common sub-system of CCASS and DCASS, operated by HKSCC, HKCC and SEOCH, which enables HKCC Participants to manage their collateral paid or delivered to the Clearing House;
“CCMS Collateral Account”	means an account established in CCMS for each HKCC Participant for debiting and crediting collateral. For the purposes of the Clearing House Rules and the Clearing House Procedures, unless otherwise specified, the term “CCMS Collateral Account” does not include an account established in CCMS for an HKCC Participant by another Recognized Clearing House under its rules;
“CCMS Terminal User Guide”	means the manual entitled “CCMS Terminal User Guide” relating to the operation of CCMS, as amended from time to time by the Clearing House;
“Chairman”	means the person from time to time holding the office of Chairman of the Board or his designee;
“Clearing Account Cum MTM(t)”	means, with respect to each clearing account and each Business Day t during the Loss Distribution Period, the sum of Currency Cum MTM(t) in all Settlement Currencies in respect of such clearing account;

“Clearing Account Gain”	means, with respect to each Clearing Account Gainer and a Business Day during the Loss Distribution Period, the amount of positive Clearing Account Cum MTM in respect of such Clearing Account Gainer on such Business Day;
“Clearing Account Gainer”	means, with respect to any Business Day during the Loss Distribution Period, each clearing account of a non-defaulting HKCC Participant in respect of which the value of the Clearing Account Cum MTM on such Business Day is greater than zero;
“Clearing Account Loser”	means, with respect to any Business Day during the Loss Distribution Period, each clearing account of a non-defaulting HKCC Participant in respect of which the value of the Clearing Account Cum MTM on such Business Day is equal to or less than zero;
“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;
“Clearing House” or “HKCC”	means HKFE Clearing Corporation Limited;
“Clearing House margin”	means the margin required by the Clearing House pursuant to Rule 402;
“Clearing House Procedures”	means the procedures prescribed by the Clearing House as from time to time in force;
“Clearing Official”	means an employee of HKEX designated by the Chairman pursuant to the Clearing House Procedures;
“Clearing Participant”	means an HKCC Participant registered under the category of "Clearing Participant" pursuant to Chapter II of these Rules;
“Clearing Service Termination Event”	means an event in relation to the winding down of clearing and settlement services by the Clearing House in relation to Futures/Options Contracts pursuant to Rule 1101;

“Client”	bears the same meaning as in the Exchange Rules;
“closed out Contract”	<p>means either :-</p> <p>(a) any Contract in respect of which an HKCC Participant (either voluntarily or compulsorily under these Rules) enters into a second Contract in identical terms as the first-mentioned Contract except:-</p> <p>(i) that the price may not be the same as the price specified in the first-mentioned Contract; and</p> <p>(ii) that the HKCC Participant takes the opposite side to the side he holds under the first-mentioned Contract for the express purpose of crystallizing the profit or loss on that first-mentioned Contract; or</p> <p>(b) a Contract deemed to be a closed out Contract pursuant to these Rules;</p> <p>and "closing out" or "closed out" shall be construed accordingly;</p>
“Closing Quotation”	means the price determined by the Clearing House in accordance with Rule 412;
“Commission”	means the Securities and Futures Commission which was established under the repealed Securities and Futures Commission Ordinance and whose existence continued by virtue of section 3(1) of the Ordinance or any other body which assumes in whole or in part the powers and functions of the Securities and Futures Commission and has jurisdiction over the Exchange under the Ordinance;
“commodity”	bears the same meaning as in the Exchange Rules;

“Common Participant”	means a person duly registered as a participant of the Clearing House and one or more of the other Recognized Clearing Houses and “Common Participants” shall be construed accordingly;
“Compliance Department”	has the same meaning as in the Exchange Rules;
“Contract”	means an F/O Contract concluded by an HKCC Participant or a Non-Clearing Participant on any Market operated by the Exchange pursuant to the Exchange Rules or, as the context requires, a new contract arising pursuant to the provisions of Rule 308A(e), 309, 313 or 408(a);
“Contract Specifications”	bears the same meaning as in the Exchange Rules;
“controller”	has the same meaning as in Part III of the Ordinance;
“Currency Cum MTM(t)”	means, with respect to each Business Day t during the Loss Distribution Period and a Settlement Currency, the sum of Currency MTM Chg relating to the Currency VA Payment in such Settlement Currency for each Business Day from (and including) the date on which the Clearing House declares an HKCC Participant to be a Defaulter for an event of default to (and including) such Business Day t;
“Currency Cum VA Flow(t)”	means, with respect to each Business Day t during the Loss Distribution Period and a Settlement Currency, the total sum of Currency VA Flow which would be a gain to a non-defaulting HKCC Participant (expressed as a positive number) or a loss to a non-defaulting HKCC Participant (expressed as a negative number) in such Settlement Currency from (and including) the date on which the Clearing House declares an HKCC Participant to be a Defaulter for an event of default to (and including) such Business Day t. Currency Cum VA Flow(t-1) shall be the value for Currency Cum VA Flow(t)

	calculated on the Business Day immediately preceding Business Day $t$ during the Loss Distribution Period, provided that where Business Day $t$ is the day of event of default, Currency Cum VA Flow( $t-1$ ) shall be zero;
“Currency Futures Contract”	means a Futures Contract whose underlying commodity is a specified currency and which is traded in the Currency Futures Market operated by the Exchange;
“Currency MTM Chg( $t$ )”	means, with respect to each Business Day $t$ during the Loss Distribution Period and a Settlement Currency, the Currency VA Payment in such Settlement Currency (converted, where applicable, into the Base Currency at the exchange rate determined by the Clearing House on such Business Day $t$ ) which would be a gain to a non-defaulting HKCC Participant (expressed as a positive number) or a loss to a non-defaulting HKCC Participant (expressed as a negative number) on such Business Day;
“Currency of the Contract”	means the currency in which a Contract is traded;
“Currency Option Contract”	means an Exchange Contract which is an Option Contract and whose underlying commodity is a specified currency;
“Currency VA Flow( $t$ )”	means, with respect to each Business Day $t$ during the Loss Distribution Period and a Settlement Currency, an amount equal to the net Currency VA Payment in such Settlement Currency for that Business Day after taking into account the additional amount payable to the Clearing House or the amount received from the Clearing House pursuant to Rule 711(b) or 711(c);
“Currency VA Payment”	means, in respect of any Business Day and a Settlement Currency, the aggregated amount of variation adjustment (including the profits or losses on final settlement of Cash Settled Contracts and/or Identified Contracts) which would be a gain to a non-defaulting HKCC Participant (expressed as a positive number)

or a loss to a non-defaulting HKCC Participant (expressed as a negative number) in such Settlement Currency on such Business Day without application of the VA Haircut; and for the purpose of the calculations and adjustments conducted under the Loss Distribution Process, the unrealized profits or losses in respect of Physical Delivery Contracts pursuant to section 2.3.3.2 of the Clearing House Procedures will be included;

“DCASS”	means the Derivatives Clearing and Settlement System operated by the Clearing House and SEOCH;
“DCASS Agreement”	means the subscription and license agreement in such form as may be prescribed by the Clearing House from time to time and which is entered into between the Clearing House and an HKCC Participant entitling the HKCC Participant to participate in DCASS in accordance with Chapter IX;
“DCASS User Guide”	means the manual entitled “DCASS User Guide” relating to the operation of DCASS via online access, as amended from time to time by the Clearing House;
“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;
“Defaulter”	means a Defaulting HKCC Participant which has been declared as a Defaulter by the Clearing House pursuant to Rule 510;
“Defaulting HKCC Participant”	means an HKCC Participant that gives rise to an event of default pursuant to Rule 509;
“Deliverable Metal”	means, in respect of a Physically Settled Metal Futures Contract, the metal underlying such contract which is to be delivered by the Seller to the Buyer;
“Delivery Agent”	in respect of a Physically Settled Metal

	Futures Contract, an HKCC Participant appointed as such by another HKCC Participant for the delivery of Deliverable Metal underlying such Physically Settled Metal Futures Contract for such other HKCC Participant under the terms of a Delivery Agreement;
“Delivery Agreement”	means an agreement between an HKCC Participant and its Delivery Agent containing such terms as may be specified by the Clearing House;
“Delivery Assets”	has the meaning given to it in section 2A.3.4(f)(iii)(C) of the Clearing House Procedures;
“delivery month” or “contract month”	bears the same meaning as in the Exchange Rules;
“Delivery Notice”	means any notice to be provided by a Seller under a Physically Settled Metal Futures Contract in a form prescribed and published by the Clearing House from time to time;
“Delivery Representations”	has the meaning given to it in section 2A.3.5(f) of the Clearing House Procedures;
“Delivery Warranties”	has the meaning given to it in section 2A.3.5(g) of the Clearing House Procedures;
“Designated Bank”	means a bank designated by an HKCC Participant and appointed by HKCC from time to time as being eligible for money settlements in relation to clearing services provided by HKCC through fund transfers to and from a Prime Settlement Bank;
“Designated Compliance Department Staff”	has the same meaning as in the Exchange Rules;
“designated HKEX staff”	has the same meaning as in the Exchange Rules;
“Disciplinary Appeals Committee”	means any disciplinary appeals committee of the Exchange or such other committee to which the Board has from time to time delegated its power to consider disciplinary appeals;
“Disciplinary Committee”	means the disciplinary committee of the Exchange or such other committee to which

	the Board has from time to time delegated its power to adjudicate disciplinary matters;
“Dispute”	has the meaning given to it in section 2A.3.5(k) of the Clearing House Procedures;
“Disputing Party”	has the meaning given to it in of section 2A.3.5(j) of the Clearing House Procedures;
“Early Termination Date”	means, in respect of an open Contract registered in the name of an HKCC Participant, the date determined as an Early Termination Date for such Contract in accordance with Rule 547(a), 549(a) or 550, as the case may be. An open Contract shall be terminated or novated with effect from the Early Termination Date relating to it;
“event of default”	means an event relating to an HKCC Participant as referred to in Rule 509; and in the case of an HKCC Participant being declared a Defaulter because of an event of default, the date of occurrence of the event of default refers to the date the HKCC Participant is declared to be a Defaulter;
“the Exchange”	means Hong Kong Futures Exchange Limited;
“Exchange Contract”	bears the same meaning as in the Exchange Rules;
“Exchange Participant”	bears the same meaning as in the Exchange Rules and "Exchange Participants" shall be construed accordingly;
“Exchange Rules” or “Rules of the Exchange”	means collectively the Rules, Regulations and Procedures of the Exchange; and any amendments, supplements, variations or modifications thereto from time to time in force;
“expiry”	means the Last Trading Day or Expiry Day, as the case may be;
“Expiry Day”	means the last or only Trading Day, as the case may be, on which an option can be traded or exercised and shall, subject to section 901 of the Rules of the Exchange, be

	described in the applicable Contract Specifications;
“Failure to Pay Notice”	means a written notification provided by an HKCC Participant to the Clearing House pursuant to Rule 545 upon the failure by the Clearing House to make, when due, any payment to an HKCC Participant (other than a Defaulter) under an open Contract;
“Final Settlement Day”	means, in relation to a Contract, the day specified in the applicable Contract Specifications as the Final Settlement Day for the settlement of such Contract;
“Financial Resources Rules”	bears the same meaning as in the Exchange Rules;
“Former HKCC Participant”	means, at any time, a person who was an HKCC Participant but whose participantship had been terminated prior to such time;
“Futures/Options Contract” or “F/O Contract”	bears the same meaning as in the Exchange Rules;
“Futures Contract” or “future”	bears the same meaning as in the Exchange Rules;
“Gainer VA Flow Adjustment(t)”	means the Gainer VA Flow Adjustment Base Currency (t) converted into the Settlement Currency of the relevant Currency VA Payment at the exchange rate determined by the Clearing House on Business Day t;
“Gainer VA Flow Adjustment Base Currency(t)”	means an amount determined in the Base Currency on the relevant Business Day t for each Currency VA Payment relating to a clearing account as follows: $\text{Currency MTM Chg}(t) - [\text{Currency Cum MTM}(t) \times (1 - \text{VA Haircut}(t)) - \text{Currency Cum VA Flow}(t-1)]$
“General Clearing Participant”	means an HKCC Participant registered under the category of "General Clearing Participant" pursuant to Chapter II of these Rules;
“General Collateral”	means collateral in a CCMS Collateral

	Account that can be used to cover Clearing House margin and outstanding debit;
“HKATS”	formerly known as the “ATS”, means the automated trading system operated by the Exchange;
“HKATS Risk Functions”	has the same meaning as in the Exchange Rules;
“HKCC Default Applicable Percentage”	means, in respect of an HKCC Failure to Pay Event or an HKCC Insolvency Event, a percentage applied by the Clearing House to determine the HKCC Default CP Receivable with respect to a clearing account of an HKCC Participant and the amount payable by the Clearing House in respect of the Reserve Fund Deposits Balance of an HKCC Participant pursuant to section 8.1 of the Clearing House Procedures;
“HKCC Default CP Receivable”	means, in respect of an HKCC Failure to Pay Event or an HKCC Insolvency Event, the amount payable by the Clearing House to each relevant HKCC Participant with respect to each of its clearing accounts pursuant to section 8.1.2.2 of the Clearing House Procedures;
“HKCC Default Final CP Payable”	means, in respect of an HKCC Failure to Pay Event or an HKCC Insolvency Event, the final net amount payable by each relevant HKCC Participant to the Clearing House with respect to each of its clearing accounts after taking into account the operation of sections 8.1.2.1(a) and 8.1.2.1(b) of the Clearing House Procedures;
“HKCC Default Interim CP Payable”	means, in respect of an HKCC Failure to Pay Event or an HKCC Insolvency Event, the amount payable by each relevant HKCC Participant to the Clearing House with respect to each of its clearing accounts, after taking into account any Margin Balance applied pursuant to section 8.1.2.1(a) of the Clearing House Procedures;
“HKCC Failure to Pay Event”	means an event arising from the failure of the

	<p>Clearing House to make all relevant payments under an open Contract to an HKCC Participant by the end of the relevant HKCC Failure to Pay Grace Period, provided that no such event shall occur if (1) such failure to pay arises as a result of technical or administrative reasons beyond the control of the Clearing House; or (2) during the HKCC Failure to Pay Grace Period, the Clearing House has exercised its powers under Rules 547(a) and/or 547(b);</p>
“HKCC Failure to Pay Grace Period”	<p>means the period from (but excluding) the day on which the Clearing House receives a Failure to Pay Notice from an HKCC Participant to (and including) the 21st Business Day following such day;</p>
“HKCC Insolvency Event”	<p>means an event relating to the insolvency of the Clearing House as referred to in Rule 550;</p>
“HKCC Member” or “Member”	<p>means a person duly registered as a member of the Clearing House prior to the Scheme Effective Date under one of the categories of Clearing House membership then existing and “HKCC Membership” or “Membership” shall be construed accordingly;</p>
“HKCC Participant” or “Participant of the Clearing House”	<p>means a person duly registered as a participant of the Clearing House under one of the categories of Participantship specified in Chapter II of these Rules and "HKCC Participantship" shall be construed accordingly;</p>
“HKCC Participant Additional Deposit”	<p>means (i) an additional deposit required to be made by an HKCC Participant pursuant to Rule 705A; (ii) where any Assessment has been demanded by the Clearing House, any Assessment provided or required to be provided by the HKCC Participant; and (iii) where any Voluntary Recap Amount has been requested by the Clearing House, any Voluntary Recap Amount provided by the HKCC Participant which will not be refunded by the Clearing House to such HKCC Participant in accordance with Rule</p>

709(d);

“HKCC Participant Additional Deposits Credit”	means a credit limit in respect of HKCC Participant Additional Deposits (other than any Assessment or Voluntary Recap Amount) that may be allowed to each HKCC Participant pursuant to Rule 701(ac);
“HKCC Participant’s Deposit”	means a deposit required to be made by an HKCC Participant pursuant to Rule 210;
“HKEX”	means Hong Kong Exchanges and Clearing Limited;
“HKEX website”	means the official website of HKEX at <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> or at such other website address specified by HKEX from time to time;
“HKIAC”	has the meaning given to it in section 2A.3.5(k) of the Clearing House Procedures;
“HKSCC”	means Hong Kong Securities Clearing Company Limited;
“holder”	an HKCC Participant which holds a long position in an option;
“Holiday Trading Exchange Contract”	bears the same meaning as in the Exchange Rules;
“Hong Kong dollars” or “HK\$”	bears the same meaning as in the Exchange Rules;
“Identified Contracts”	means the open Contracts (including the open Contracts of a Defaulter and those of any non-defaulting HKCC Participants so determined by the Clearing House pursuant to Rule 515A(b)) to be terminated under the contract termination process as referred to in Rule 515A;
“in writing” and “written”	include printing, lithography and other modes of representing or reproducing words in a permanent and visible form;
“Last Trading Day”	means the last day for trading in an Exchange Contract, as specified in the Contract

Specifications;

“Limited Recourse Applicable Percentage”	means, in respect of a Clearing Service Termination Event, a percentage applied by the Clearing House to determine the Limited Recourse CP Receivable with respect to a clearing account of an HKCC Participant and the amount payable by the Clearing House in respect of the Reserve Fund Deposits Balance of an HKCC Participant pursuant to section 7.1 of the Clearing House Procedures;
“Limited Recourse CP Receivable”	means, in respect of a Clearing Service Termination Event, the amount payable by the Clearing House to each relevant HKCC Participant with respect to each of its clearing accounts pursuant to section 7.1.2.2 of the Clearing House Procedures;
“Limited Recourse Final CP Payable”	means, in respect of a Clearing Service Termination Event, the final net amount payable by each relevant HKCC Participant to the Clearing House with respect to each of its clearing accounts, after taking into account the operation of sections 7.1.2.1(a) and 7.1.2.1(b) of the Clearing House Procedures;
“Limited Recourse Interim CP Payable”	means, in respect of a Clearing Service Termination Event, the amount payable by each relevant HKCC Participant to the Clearing House with respect to each of its clearing accounts, after taking into account any Margin Balance applied pursuant to section 7.1.2.1(a) of the Clearing House Procedures;
“Liquid Capital”	has the meaning assigned to it by the Financial Resources Rules;
“Loser VA Flow Adjustment(t)”	means the Loser VA Flow Adjustment Base Currency(t) converted into the Settlement Currency of the relevant Currency VA Payment at the exchange rate determined by the Clearing House on Business Day t;
“Loser VA Flow Adjustment Base Currency(t)”	means an amount determined in the Base Currency on the relevant Business Day t for each Currency VA Payment relating to a

clearing account as follows:

$$\text{Currency MTM Chg}(t) - [\text{Currency Cum MTM}(t) - \text{Currency Cum VA Flow}(t-1)]$$

“Loss Distribution Period”	means the period beginning from the date on which the Clearing House declares an HKCC Participant to be a Defaulter for an event of default to (but excluding) the Business Day on which all open Contracts registered in that Defaulter’s name have been successfully transferred, closed out, sold or settled and all receivables, payments and/or delivery obligations in respect of such Contracts have been discharged in full by the relevant party provided that each time another HKCC Participant is declared a Defaulter for an event of default during a prevailing Loss Distribution Period, such Loss Distribution Period shall, where applicable, be extended until the Business Day on which all open Contracts registered in such subsequent Defaulter’s name have been successfully transferred, closed out, sold or settled and the related receivables, payments and/or delivery obligations have been discharged in full by the relevant party and no new Loss Distribution Period will be established for such subsequent Defaulter;
“Loss Distribution Process”	means the process of applying any VA Flow Adjustment to each clearing account of each HKCC Participant as described in Rules 710 to 714;
“Managing Director”	means the person from time to time holding the office of Managing Director of the Clearing House;
“mandatory intra-day variation adjustment and margin”	means the intra-day variation adjustment and Clearing House margin that is required by the Clearing House pursuant to Rule 410C ;
“margin”	means Clearing House margin, Special Block Trade Margin, and/or additional margin;
“Margin Balance”	means, in respect of an HKCC Participant and a clearing account, the aggregate value of variation adjustment, margin and collateral

	(including any excess collateral) provided by such HKCC Participant, in each case, as recorded in the corresponding CCMS Collateral Account;
“Market”	bears the same meaning as in the Exchange Rules;
“Market close”	means the close of trading of the T Session on each Trading Day;
“Metal Futures Contract”	has the meaning given to it in the Regulations for Trading Metal Futures Contracts of the Exchange Rules;
“Negative Interest Rate Currency”	means a currency in respect of which its central bank or other relevant authority has adopted a negative interest rate policy and is specified by the Clearing House as such;
“Non-Clearing Participant”	means an Exchange Participant which is not an HKCC Participant;
“Non-delivery HKCC Participant”	in respect of a Physically Settled Metal Futures Contract, an HKCC Participant which neither has itself entered into, nor has entered into a Delivery Agreement with another HKCC Participant which has entered into, an Approved Depository Account Agreement with each of the Approved Depositories relating to the Deliverable Metal underlying such Physically Settled Metal Futures Contract;
“Non-serious Offence”	<p>means any offence which does not involve or result in any of the following:</p> <ul style="list-style-type: none"> <li>(a) the interests of the Clearing House or any other HKCC Participant or any Client being jeopardised;</li> <li>(b) fraudulent, dishonest or criminal activity;</li> <li>(c) conduct which may impair the reputation, dignity or welfare of the Clearing House;</li> <li>(d) conduct inconsistent with just and</li> </ul>

equitable principles of trade; or

- (e) non-compliance by the HKCC Participant with any applicable financial requirements under the Ordinance or any other ordinances, these Rules, the Regulations, any procedures of the Clearing House or the Exchange Rules

provided however that the Compliance Department may in its absolute discretion determine that an offence does not constitute a Non-serious Offence notwithstanding that such offence satisfies the criteria referred to above if, having considered the nature, frequency, persistence of the offence or any other circumstances applicable, the Compliance Department is of the view that such offence should not be considered as a Non-serious Offence;

“Notice of Assessment”	means a written notification provided by the Clearing House to HKCC Participants of any demand for Assessments pursuant to Rule 707A;
“Official Settlement Price” or “Final Settlement Price”	means, in relation to a Contract, the number as determined and calculated by the Clearing House in the manner as set out in the applicable Contract Specifications;
“open Contract”	means every Contract except a closed out Contract;
“option series”	means all options relating to the same underlying commodity and of the same option type and with the same Strike Price and Expiry Day;
“option type”	describes whether an option is a Put Option or Call Option as those terms are described in the Rules of the Exchange;
“Ordinance”	means the Securities and Futures Ordinance and any subsidiary legislation made thereunder;
“Participant Admission	means the committee convened to hear any

Appeals Committee”	appeal against the decisions by the Board on any application to admit as an HKCC Participant;
“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;
“Physical Delivery Contract”	a Contract that may be performed by physical delivery of the underlying commodity or instrument;
“Physical Delivery Participant”	means, in respect of a Physically Settled Metal Futures Contract, an HKCC Participant other than a Non-delivery HKCC Participant;
“Physically Settled Metal Futures Contract”	means a Metal Futures Contract which is a Physical Delivery Contract;
“Physically Settled Options on Futures Contract”	means an Option Contract which is a Physical Delivery Contract and whose underlying is a Futures Contract;
“Prescribed Risk Controls”	has the same meaning as in the Exchange Rules;
“Price Differential”	has the meaning given to it in section 2A.3.3(a)(iii), 2A.3.3(a)(iv) or 2A.3.3(b)(ii) of the Clearing House Procedures, as the case may be;
“PRiME”	means the Portfolio Risk Margining System of HKEX, which is the margining methodology adopted by the Clearing House for the calculation of Clearing House margin;
“PRiME Margining Guide”	means the manual entitled “PRiME Margining Guide” setting forth, inter alia, details of PRiME and examples of the calculation of Clearing House margin using the PRiME methodology, as amended by the Clearing House from time to time;
“Prime Settlement Bank”	means a bank appointed by HKCC from time to time as being eligible for money settlements in relation to clearing services provided by HKCC through either internal fund transfers or fund transfers to and from

	an Approved Settlement Bank or a Designated Bank;
“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);
“Recognized Assayer”	means, in respect of a Physically Settled Metal Futures Contract, an assayer for precious metals which is included on the list of Recognized Assayers published by the Exchange from time to time;
“Recognized Clearing House”	means Hong Kong Securities Clearing Company Limited, HKFE Clearing Corporation Limited or The SEHK Options Clearing House Limited;
“Recognized Depository”	means, in respect of a Physically Settled Metal Futures Contract, a depository for precious metals which is included on the list of Recognized Depositories published by the Exchange from time to time;
“recognized exchange controller”	has the same meaning as in the Ordinance;
“Recognized Forwarder”	means, in respect of a Physically Settled Metal Futures Contract, a transportation firm specializing in transporting precious metals which is included on the list of Recognized Forwarders published by the Exchange from time to time;
“Recognized Refiner”	means, in respect of a Physically Settled Metal Futures Contract, a precious metal refinery which is included on the list of Recognized Refiners published by the Exchange from time to time;
“Reference Price”	has the meaning given to it in section

	2A.3.3(a)(ii) of the Clearing House Procedures;
“Registered Institution”	means an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) which is registered to carry on Type 2 regulated activity under the Ordinance;
“Regulations”	bears the same meaning as in the Exchange Rules;
“Relevant CP Contracts”	means the open Contracts of the relevant HKCC Participant to be terminated under an HKCC Failure to Pay Event as referred to in Rule 547 or 549;
“Renminbi” or “RMB”	bears the same meaning as in the Exchange Rules;
“Re-novated Contract”	has the meaning given to it in Rule 309A and “Contract Re-novation” shall be construed accordingly;
“Reserve Fund”	means the reserve fund referred to in Chapter VII of these Rules;
“Reserve Fund Deposits”	means, in respect of an HKCC Participant, both its HKCC Participant’s Deposit and HKCC Participant Additional Deposit;
“Reserve Fund Deposits Balance”	means, on any Business Day, with respect to each HKCC Participant, the aggregate value of the HKCC Participant’s Deposits and HKCC Participant Additional Deposits provided by the HKCC Participant, as reduced by payments out of the Reserve Fund allocated to such HKCC Participant’s Deposits and/or HKCC Participant Additional Deposits, as applicable, in accordance with Rule 706;
“Reserve Fund Resources”	means the Reserve Fund and any other amounts specified as forming part of the Reserve Fund Resources in the Rules;
“Reserve Fund Risk Predefined Limit”	means an amount equal to 50% of the Reserve Fund Threshold or such other

	percentage as the Clearing House deems appropriate from time to time;
“Reserve Fund Threshold”	means the Reserve Fund size prescribed by the Clearing House from time to time pursuant to Rule 701(ab);
“Resignation Notice”	means a notice of intention to resign from HKCC Participantship given in accordance with Rule 217;
“Rules” or “Clearing House Rules” or “HKCC Rules”	means collectively these rules and the Clearing House Procedures and any amendments, supplements, variations or modifications thereto from time to time in force;
“Secretary”	means the company secretary for the time being of the Clearing House;
“Seller”	means the HKCC Participant registered as the seller of an F/O Contract pursuant to these Rules;
“SEOCH”	means The SEHK Options Clearing House Limited;
“Settlement Agent”	means, following the Contract Re-novation in respect of a Physically Settled Metal Futures Contract, the Clearing House acting in its role as settlement agent for the buying HKCC Participant and the selling HKCC Participant under that Re-novated Contract to facilitate the settlement of that Re-novated Contract, as further described in section 2A.3.2.3(b) of the Clearing House Procedures;
“Settlement Currency”	<p>means the currency in which a Contract shall be settled, which currency shall be as specified in the applicable Contract Specifications, or if not so specified, shall be the Currency of the Contract provided that:</p> <p>(a) in respect of any Currency Futures Contract which is a Physical Delivery Contract:</p> <p>(i) in the case of the Buyer, the</p>

Settlement Currency shall be the currency in which the Currency Futures Contract shall be settled by the Buyer; and

- (ii) in the case of the Seller, the Settlement Currency for final settlement shall be the currency underlying the Currency Futures Contract which shall be delivered by the Seller and the Settlement Currency for payment of Clearing House margin, variation adjustment and any other form of margin or fees which may be imposed by the Clearing House or the Exchange shall be the currency in which the Currency Futures Contract is traded;
- (b) in respect of any Currency Option Contract which is a Physical Delivery Contract:
- (i) in the case of the holder of a Call Option or writer of a Put Option, the Settlement Currency shall be the currency in which the Currency Option Contract shall be settled by the holder of a Call Option or the writer of a Put Option; and
  - (ii) in the case of the writer of a Call Option or the holder of a Put Option, the Settlement Currency for final settlement shall be the currency underlying the Currency Option Contract which shall be delivered by the writer of a Call Option or the holder of a Put Option and the Settlement Currency for payment of Clearing House margin, variation adjustment and any other form of margin or fees which may be imposed by the Clearing House or the Exchange shall be the currency in which the Currency Option Contract is traded;

“Special Block Trade Margin”	means the margin required by the Clearing House pursuant to Rule 411A;
“Strike Price” or “Exercise Price”	means the agreed price, or level, of the underlying commodity at which an option may, subject to these Rules, the Exchange Rules and Regulations governing that Contract, be exercised;
“System Input Cutoff Time”	means 8:30 p.m. or such other time as may be prescribed by the Clearing House as the cutoff time for system input after the T Session;
“Tax Information Exchange Framework”	means (i) sections 1471 to 1474 of the United States Internal Revenue of 1986, as amended (the “Code”), (ii) any similar or successor legislation to (i) introduced by the United States, (iii) any agreement described in section 1471(b) of the Code, (iv) any regulations or guidance pursuant to any of the foregoing, (v) any official interpretations of any of the foregoing, (vi) any intergovernmental agreement to facilitate the implementation of any of the foregoing (an “IGA”), or (vii) any law implementing an IGA;
“Termination Value Payable”	means, under the contract termination process, the amount payable by each relevant HKCC Participant to the Clearing House with respect to each of its clearing accounts pursuant to section 2.13.1 of the Clearing House Procedures;
“Termination Value Receivable”	means, under the contract termination process, the amount payable by the Clearing House to each relevant HKCC Participant with respect to each of its clearing accounts pursuant to section 2.13.1 of the Clearing House Procedures;
“Third Party Service Provider”	means an Approved Depository, Recognized Assayer, Recognized Depository, Recognized Forwarder, Recognized Refiner or any other third party which performs or which is responsible for any service in connection with the clearing and settlement of Physically Settled Metal Futures

	Contracts under these Rules and/or the Exchange Rules;
“Tier 1 capital”	has the same meaning as set out in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong);
“Trading Day”	bears the same meaning as in the Exchange Rules;
“T Session”	has the same meaning as in the Exchange Rules;
“T+1 Session”	has the same meaning as in the Exchange Rules;
“T+1 Session Cutoff Time”	means the time specified in Appendix B to these Rules or such other time as may be prescribed by the Clearing House as the cutoff time for system input after the T+1 Session (if applicable);
“Total Clearing Accounts Cum MTM(t)”	means, with respect to any Business Day t during the Loss Distribution Period, the sum of the Total Clearing Accounts Currency Cum MTM(t) in all Settlement Currencies;
“Total Clearing Accounts Currency Cum MTM(t)”	means, with respect to each Business Day t during the Loss Distribution Period, the sum of the Total Clearing Accounts Currency MTM for each Business Day from (and including) the date on which the Clearing House declares an HKCC Participant to be a Defaulter for an event of default to (and including) such Business Day t;
“Total Clearing Accounts Currency MTM(t)”	means, with respect to each Business Day t during the Loss Distribution Period, the sum of Currency MTM Chg(t) in respect of all clearing accounts of all non-defaulting HKCC Participants;
“Total Gains(t)”	means, with respect to each Business Day t during the Loss Distribution Period, the sum of all Clearing Account Gains in respect of all Clearing Account Gainers on such Business Day t;

“Unadjusted HKCC Default CP Receivable”	means, in respect of an HKCC Failure to Pay Event or an HKCC Insolvency Event, the amount determined to be payable by the Clearing House to each relevant HKCC Participant with respect to each of its clearing accounts, without taking into account any adjustment pursuant to section 8.1.2.2 of the Clearing House Procedures;
“Unadjusted Limited Recourse CP Receivable”	means, in respect of a Clearing Service Termination Event, the amount determined to be payable by the Clearing House to each relevant HKCC Participant with respect to each of its clearing accounts, without taking into account any adjustment pursuant to section 7.1.2.2 of the Clearing House Procedures;
“underlying commodity”	means the commodity by reference to which a Contract is made;
“underlying instrument”	means the instrument by reference to which a Contract is made or the instrument which is allowed for delivery as specified in the Exchange Rules or prescribed by the Clearing House, as the case may be;
“VA Flow Adjustment(t)”	means either the Gainer VA Flow Adjustment(t) or Loser VA Flow Adjustment(t), as applicable;
“VA Haircut(t)”	means, on each Business Day t during the Loss Distribution Period, an amount equal to the (1) VA Shortfall(t) divided by (2) Total Gains(t), expressed as a percentage figure;
“VA Shortfall(t)”	means, in respect of Business Day t, the greater of (1) zero and (2) an amount equal to (i) Total Clearing Accounts Cum MTM(t) plus (ii) any costs, interests or other expenses incurred by the Clearing House in effecting the transfer, closing out, sale or settlement of any Contract under Rule 510 less (iii) resources available to the Clearing House including those available to be applied under Rules 510(e), 510(g) and 706 with respect to all such events of default but excluding any Assessments which have not been deposited

	with the Clearing House by such day;
“variation adjustment”	means an amount payable by or to the Clearing House calculated at least once daily in accordance with Rules 408 to 411; and
“Voluntary Recap Amount”	means a voluntary contribution to the Reserve Fund, as requested by the Clearing House pursuant to a Voluntary Recap Request Notice;
“Voluntary Recap Request Notice”	means a written notification provided by the Clearing House pursuant to Rule 709 to an HKCC Participant requesting for a Voluntary Recap Amount;
“Withholding Tax”	means any withholding or deduction pursuant to the Tax Information Exchange Framework.
“writer”	an HKCC Participant which holds a short position in an option;

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.

#### Interpretation

102. Unless in these Rules it is expressly provided to the contrary, all questions concerning the interpretation or application of or any other matter in connection with these Rules, shall be determined by the Board whose decision shall be final and binding on all parties.

#### Transitional provisions

103. Without limiting the generality of Rule 104, with effect from the Scheme Effective Date (as defined in the Exchange Rules) and unless the context requires otherwise, the terms “HKCC Member” and “Member” in the HKCC Rules prior to the Scheme Effective Date have been substituted with the term

“HKCC Participant” or “Participant of the Clearing House” and the term “HKCC Participantship” shall be construed accordingly. Each HKCC Member immediately prior to the Scheme Effective Date which was or was deemed to be an Exchange Participant under the Exchange Rules or the repealed Exchanges and Clearing Houses (Merger) Ordinance was deemed to have automatically become an HKCC Participant and shall continue to be bound by these Rules as an HKCC Participant.

104. For the avoidance of doubt,

- (i) these Rules;
- (ii) all rights, privileges, obligations and liabilities accrued to or incurred by any person (including without limitation an HKCC Participant) prior to the Scheme Effective Date;
- (iii) all registrations and approvals made or granted to a person (including without limitation an HKCC Participant) which were valid immediately prior to the Scheme Effective Date

shall continue to be valid and binding on that person whatever capacity in which those rights, privileges, obligations, liabilities, registrations or approvals have been accrued, incurred, made or granted.

#### 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.

#### Exclusions of Liabilities

107. The Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House, do not accept any liability whatsoever, and no claim may be brought against any of them or their respective employees, in respect of any error in, or interruption or suspension of the operation of any system operated by the Clearing House, except in the case of wilful misconduct. In particular, neither the Clearing House, the Exchange or a recognized exchange controller which is the controller of the Clearing House, nor any person from whom the Clearing House, the Exchange or a recognized exchange controller which is the controller of the Clearing House has obtained a licence, directly or indirectly, in connection with the use of any system operated by the Clearing House shall have any liability in connection with, or arising out of, any ability or inability to use the computer programs involved in the functioning of any system operated by the Clearing House (whether based in contract, tort, misrepresentation, warranty or other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim).
108. The Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House will not be liable to any HKCC Participant or to any other person with respect to any action or omission by them in connection with the operations of any system operated by the Clearing House, the provision of services and facilities available thereunder, and all other matters as contemplated in these Clearing House Rules, except in the case of wilful default.
109. The Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House will not be liable for any action taken or for any failure, hindrance or delay in the provision of services or the performance in whole or in part of their obligations under these Clearing House Rules or under any Contract if such action, failure, hindrance or delay arises out of causes beyond their control. Such causes may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labour disputes,

mechanical breakdowns, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by HKCC Participants), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal, and any other causes beyond the control of the Clearing House, the Exchange (whether or not specified in the Exchange Rules) or a recognized exchange controller which is the controller of the Clearing House.

110. Information and statistics provided by the Clearing House including, but not limited to market prices, numbers of Contracts cleared and risk management assumptions, are made available on the understanding that the Clearing House, the Exchange and a recognized exchange controller which is the controller of the Clearing House will not be liable or accountable to any party for that information's suitability or applicability for any use other than for managing or reporting activities internal to the Clearing House.