

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

The Clearing House Procedures below outline the registration, settlement, clearing and margining procedures for the Futures / Options Contracts (in these procedures, referred to as “Contracts”) traded on HKATS. These procedures are divided into the following chapters:- Chapter 1 – Registration Procedures; Chapter 2 – Clearing and Settlement Procedures; Chapter 2A – Settlement of Physical Delivery Contracts; Chapter 3 – Clearing Documentation; Chapter 4 – Reserve Fund Contribution; Chapter 5 – Capital-Based Position Limits; Chapter 6 – Typhoons, Extreme Conditions and Rainstorms; Chapter 7 – Clearing Service Termination Event and Chapter 8 - HKCC Failure to Pay Event and HKCC Insolvency Event.

Chapter 1 Registration Procedures

1.1 Trade Capture and Registration

Trade details of a Contract executed on HKATS are electronically transmitted from HKATS to the Clearing House once they have been validated, matched and recorded in the Transaction Register of the system. Unless otherwise specified in the Exchange Rules, the Clearing House Rules or these Clearing House Procedures, the Contract will be immediately registered with the Clearing House upon the recording of such Contract in accordance with the Exchange Rules. Notwithstanding the foregoing, any such Contract registered with the Clearing House during the T+1 Session on a Business Day shall for the purposes of clearing and settlement, be treated as a trade executed by the relevant HKCC Participant on the next Business Day, unless otherwise specified in the Clearing House Rules or these Clearing House Procedures.

In respect of Contracts which are not executed on HKATS but which arise from the exercise of Physically Settled Options on Futures Contracts, the registration of such Contracts shall occur immediately upon the exercise of the Physically Settled Options on Futures Contracts as described in section 2A.5 of these Clearing House Procedures.

1.2 Types of Clearing Accounts in DCASS

The Clearing House maintains for each HKCC Participant different types of clearing accounts in DCASS. These accounts are registered under the name of the HKCC Participant and are identified as the HKCC Participant’s (1) House Account, (2) Omnibus Client Account, (3) Individual Client Account, (4) Client Offset Claim Account, (5) Market Maker Account, (6) Daily Account, (7) APT Account, and (8) Sink Account.

1.2.1 House Account

The House Account is for the recording of an HKCC Participant's proprietary trades and positions. Positions in the House Account are maintained and margined on a net basis.

1.2.2 Omnibus Client Account

The Omnibus Client Account is for the recording, on an omnibus basis, of trades and positions of Clients of an HKCC Participant. Positions in the Omnibus Client Account are maintained and margined on a gross basis. Unless the Clearing House determines otherwise, the Omnibus Client Account shall be prescribed as the default account for trades of an HKCC Participant that are without account designation or with incomplete or invalid account information except that trades of a Market Maker that are with incomplete or invalid account information shall be defaulted to its Market Maker Account in DCASS.

1.2.3 Individual Client Account

In order to facilitate net margining on positions of a Client of an HKCC Participant, the Clearing House (upon the request of an HKCC Participant) may, in its absolute discretion, establish and maintain one or more Individual Client Accounts for the HKCC Participant. The Clearing House may prescribe a maximum number of Individual Client Accounts for an HKCC Participant. The Individual Client Account is for the recording, on an individual Client basis, of trades and positions of a Client of an HKCC Participant. Positions in an Individual Client Account are maintained and margined on a net basis. HKCC Participants shall ensure that all trades and positions maintained in an Individual Client Account belong to one Client only and such trades and positions are not held by a Client operating an Omnibus Account.

1.2.4 Client Offset Claim Account

Upon the request of an HKCC Participant, the Clearing House may, in its absolute discretion, establish and maintain one or more Client Offset Claim Account(s) for the HKCC Participant. The Client Offset Claim Account is for recording positions of individual Clients of an HKCC Participant which are of an offset nature. Positions in each portfolio for offset claim must belong to the same Client and no positions of a Client may be allocated to the Client Offset Claim Account except with the Client's prior consent. Positions in the Client Offset Claim Account are maintained on a gross basis but margined on a net basis. HKCC Participants shall ensure that all positions maintained in the Client Offset Claim Account for margin offset can be reconciled with their internal records.

1.2.5 Market Maker Account

The Market Maker Account is for the recording of trades and positions arising from market making activities conducted by an HKCC Participant itself or under any market making arrangement of the HKCC Participant. Positions in a Market Maker Account are maintained and margined on a net basis. For this purpose, “market making activities” and “market making arrangement” shall include “liquidity providing activities” and “liquidity providing arrangement” in relation to an HKCC Participant appointed by the Exchange to provide liquidity as referred to in the Exchange Rules, unless the Exchange otherwise specifies.

1.2.6 Daily Account

The Daily Account serves as an account to which trades can be transferred on a temporary basis for average price trade calculation or other purposes prescribed by the Clearing House from time to time. Trades and positions in the Daily Account are treated for all purposes as trades and positions belonging to the House Account with the exception that positions recorded in the Daily Account on any Business Day will be maintained on a gross basis up to the System Input Cutoff Time. An HKCC Participant shall transfer all trades in its Daily Account to its other accounts in DCASS (other than the Sink Account) prior to the System Input Cutoff Time. Any trades and positions remaining in the Daily Account after the System Input Cutoff Time will be automatically transferred to the Sink Account of the HKCC Participant.

1.2.7 Sink Account

The Sink Account is for the recording of trades and positions automatically transferred from the Daily Account as referred to in section 1.2.6 above. Trades and positions in the Sink Account are treated for all purposes as trades and positions belonging to the House Account with the exception that positions in the Sink Account will be maintained and margined on a gross basis, separate from the House Account. An HKCC Participant shall transfer all trades and positions in its Sink Account to its other accounts in DCASS (other than the Daily Account).

1.2.8 APT Account

The APT Account serves as an account to which a selected group of trades can be transferred on a temporary basis for the purpose of performing average price trade calculation. No positions will be recorded or maintained in the APT Account.

Any request for the opening, maintenance or termination of accounts shall be made by an HKCC Participant to the Clearing House in such manner and using such form as may be prescribed by the Clearing House from time to time. The Clearing House may in its absolute discretion accept or reject any account opening and maintenance request.

1.3 Types of Clearing Accounts in CCMS

Transactions of an HKCC Participant with HKCC in respect of its delivery or redelivery of collateral, whether cash or non-cash, are referred to as “collateral movement transactions” for the purpose of this section.

The Clearing House maintains for each HKCC Participant different types of clearing accounts in CCMS for recording collateral movement transactions between that HKCC Participant and the Clearing House. These accounts are registered in the name of the HKCC Participant and are identified as the HKCC Participant’s (1) House CCMS Collateral Account, (2) Client CCMS Collateral Account(s), and (3) Market Maker CCMS Collateral Account(s). Each of these accounts is mapped with one or more clearing accounts of the HKCC Participant in DCASS. For the purposes of the Clearing House Rules and these Clearing House Procedures, the term CCMS Collateral Account will mean the House CCMS Collateral Account, Client CCMS Collateral Account(s) and Market Maker CCMS Collateral Account(s) unless otherwise specified or the context requires otherwise.

Unless otherwise specified by the Clearing House or an HKCC Participant, all cash and non-cash collateral paid or delivered by the HKCC Participant to the Clearing House will be recorded in the HKCC Participant’s CCMS Collateral Account as General Collateral and will be eligible for use as cover for the HKCC Participant’s Clearing House margin liabilities and outstanding debit in accordance with section 2.6. HKCC Participants should refer to the CCMS Terminal User Guide for a detailed description of the collateral management functions of CCMS.

1.4 Trade and Position Adjustment

1.4.1 Trade Adjustment

The types of trade adjustment available to an HKCC Participant include (1) internal trade transfer between different accounts of the HKCC Participant, (2) external trade transfer from an account of the HKCC Participant to an account of another HKCC Participant, (3) separation of a trade into smaller trades, (4) trade open/close adjustment and (5) grouping of separate trades into an average price trade. Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit trade adjustment to the Clearing House using DCASS.

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 requests 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 prior to the T+1 Session Cutoff Time of that T+1 Session or 30 minutes prior to the System Input Cutoff Time on the next Business Day.

An HKCC Participant may also submit external trade transfer requests on HKATS at the time the orders are entered on HKATS. Regardless of whether the requests for external trade transfer are submitted through HKATS or DCASS, any transfer submitted must be confirmed by the receiving HKCC Participant on DCASS prior to the next System Input Cutoff Time. Any trade, the external transfer of which is not confirmed or rejected by the receiving HKCC Participant on DCASS will remain as a trade of the transferring HKCC Participant.

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.

Notwithstanding the foregoing, the Clearing House has the sole discretion to accept or reject any trade adjustment request of an HKCC Participant, in particular but not limited to any trade adjustment request submitted after the prescribed deadline which relates to the internal or external transfer of a Block Trade.

1.4.2 (deleted)

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. Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit position adjustment requests to the Clearing House using DCASS.

An HKCC Participant may submit position adjustment requests to the Clearing House at any time prior to the System Input Cutoff Time on a Business Day and, if the T+1 Session is applicable to an Exchange Contract, position adjustment requests in respect of positions in such Exchange Contract and any other Exchange Contract which is specified in its Contract Specifications to be fungible to such Exchange Contract may also be submitted from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time, except for requests relating to 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”), which must be made by the HKCC Participant completing and submitting to the Clearing House the relevant form available from the HKEX website or such other channels as HKCC may from time to time notify HKCC Participants, no later than such deadlines as may be prescribed by the Clearing House from time to time and stated in the relevant form.

If the HKCC Participant wishes to have the position adjustment for position closing between Flexible and standard Option series processed on the same Business Day, the relevant position adjustment request form must be received by the Clearing House no later than the System Input Cutoff Time on that Business Day. If the T+1 Session is applicable, the relevant position adjustment request form received by the Clearing House after the System Input Cutoff Time but before the T+1 Session Cutoff Time will be processed by the Clearing House on the same Business Day on a best efforts basis.

With regard to requests for external position transfers, both the transferring and receiving HKCC Participant must submit and confirm such transfer requests. Any request for external position transfer will become effective when such request has been accepted by the Clearing House. Any position the transfer of which is not confirmed by the receiving HKCC Participant or the transfer request of which is rejected by the Clearing House will remain as the position of the transferring HKCC Participant. 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

Unless otherwise specified in these Clearing House Procedures, HKCC Participants may directly submit position closing and transfer requests to the Clearing House using DCASS.

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 after the System Input Cutoff Time on each Business Day.

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 submit position adjustment requests to the Clearing House at any time prior to the System Input Cutoff Time on a Business Day and, if the T+1 Session is applicable, from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time.

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, 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 and for position closing between HSCEI Options and Mini-HSCEI

Options Contracts at the ratio of one HSCEI Options Contract against five Mini-HSCEI Options 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.

1.5.2 Re-Opening of Positions

HKCC Participants wishing to re-open positions must submit position re-opening requests to the Clearing House using DCASS no later than such deadline as may be prescribed by the Clearing House from time to time, except for re-opening requests relating to:

- (i) positions previously closed under position closing between Flexible and standard Option series; and
- (ii) positions previously closed by any trade adjustment or position transfer by an HKCC Participant,

which must be made by the HKCC Participant completing and submitting to the Clearing House the relevant form available from the HKEX website or such other channels as HKCC may from time to time notify HKCC Participants no later than such deadlines as may be prescribed by the Clearing House from time to time and stated in the form.

Any position re-opening requests submitted to the Clearing House using DCASS or the relevant form will become effective when such request has been accepted by the Clearing House. Any position re-opening request which is rejected by the Clearing House will remain as closed.

Each HKCC Participant making a position re-opening request shall provide to the Clearing House such information as it may require relating to the position re-opening, including the reason therefor.

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

1.5.3 (deleted)

1.5.4 Claiming Client Offset Positions

Only positions in the Omnibus Client Account are eligible for offset claim because positions in this account are maintained on a gross long and short basis. HKCC Participants do not need to instruct the Clearing House to claim margin offset for positions in the House Account,

Individual Client Accounts or Market Maker Accounts since positions in these accounts are margined on a net basis automatically.

HKCC Participants wishing to claim margin offset for positions in their Omnibus Client Accounts that are of an offset nature must request the Clearing House to open a Client Offset Claim Account for such purpose (please refer to section 1.2). HKCC Participants will have to transfer such eligible positions from the Omnibus Client Account to the Client Offset Claim Account. Positions in each portfolio for offset claim must belong to the same Client. Positions in the Client Offset Claim Account are maintained on a gross basis but margined on a net basis (please refer to section 2.2.6.3). An HKCC Participant may submit such position transfer requests to the Clearing House at any time prior to the System Input Cutoff Time on a Business Day and, if the T+1 Session is applicable, from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time.

All claimed positions in the Client Offset Claim Account will be carried forward to the next Business Day unless otherwise instructed by HKCC Participants. HKCC Participants wishing to adjust the claimed positions in the Client Offset Claim Account may have to effect position transfer between the Client Offset Claim Account and the Omnibus Client Account by submitting such requests to the Clearing House at any time prior to the System Input Cutoff Time on the same Business Day or, if the T+1 Session is applicable, from the completion of batch processing after the T Session to any time prior to the T+1 Session Cutoff Time.

If any positions transferred into the Client Offset Claim Account are, or are believed by the Clearing House to be, ineligible for offset claim, the Clearing House may in its absolute discretion, without prior notice to the HKCC Participant, disallow the margin offset and impose such additional margin on such positions as HKCC shall consider appropriate, transfer such positions from the Client Offset Claim Account to the Omnibus Client Account, and/or suspend or terminate the use by the HKCC Participant of the Client Offset Claim Account. No action shall lie against and no liability of whatsoever nature and howsoever arising, whether in contract, tort or otherwise, shall be incurred by the Clearing House directly or indirectly in connection with effecting the transfer of any positions from, or suspending or terminating the use by an HKCC Participant of, any Client Offset Claim Account. Any incorrect recording or transfer of positions in or to the Client Offset Claim Account may also result in disciplinary action being taken against the HKCC Participant.

1.6 On-behalf-of Processing

In case HKCC Participants cannot perform post-trade adjustment functions via DCASS due to technical or other reasons, they may request the Clearing House to input post-trade adjustment requests into DCASS on its behalf by completing and submitting to the Clearing House the relevant forms available from the HKEX website or such other channels as HKCC may from time to time notify HKCC Participants, no later than such deadline as may be prescribed by the Clearing House from time to time and stated in the form.

On-behalf-of processing is provided by the Clearing House subject to the availability of its resources and subject to the payment by the HKCC Participant of such processing fee as may be prescribed by the Clearing House from time to time. In the event that demand on its resources exceeds its capacity to service all requests within a particular time, it may assign priorities in such manner as it in its absolute discretion considers appropriate. The Clearing House does not warrant that a request will be processed by a particular time. Neither the Clearing House, the Exchange, nor a recognized exchange controller which is the controller of the Clearing House shall be liable to any HKCC Participant whether in contract, tort or otherwise for any direct, consequential, special, indirect, punitive or other damages that may be suffered or incurred by the HKCC Participant or any other person as a result of the execution or processing of instructions, or its failing to execute or process instructions, on behalf of the HKCC Participant.

1.7 Backup Centre

In case HKCC Participants cannot perform post-trade adjustment functions via DCASS due to technical or other reasons, they can request the use of the backup centre provided by the Clearing House to perform such functions. For the service hours of the backup centre and other details, please refer to the DCASS User Guide.