

Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

CHAPTER I

**INTERPRETATION ADMINISTRATION
AND AMENDMENT OF THE RULES**

Definitions and Interpretation

101. In these Rules, unless the context otherwise requires, the following expressions shall bear the following meanings:-

“HKATS Risk Functions” means such HKATS software as each Exchange Participant is required by the Exchange to install, and if it is a Non-Clearing Participant, to arrange for each HKCC Participant which clears its trades to install, in order to establish, monitor and implement Prescribed Risk Controls for the Exchange Participant;

CHAPTER V

GENERAL OBLIGATIONS OF EXCHANGE PARTICIPANTSHIP

Participantship of Clearing House

530. (a) Each Exchange Participant which intends to clear trades in its own name through the Clearing House must be registered as a Participant of the Clearing House.
- (b) Each Non-Clearing Participant intending to trade in a Market operated by the Exchange whether for its own account or otherwise must first enter into an agreement with an HKCC Participant which is registered under the category "General Clearing Participant" relating to the clearing of trades through the Clearing House in such form or containing such provisions as may from time to time be required by the Clearing House and shall at all times ensure that such agreement remains in full force and effect. A Non-Clearing Participant shall give prior notice to the Exchange in writing of the termination of such agreement before it is actually terminated, unless the General Clearing Participant has already given notice to terminate the agreement to HKCC in accordance with the Clearing House Rules. Unless or until such time as an Exchange Participant is or becomes a Participant of the Clearing House or has a valid, binding and effective clearing agreement with a General Clearing Participant, it shall not be allowed to trade on or through the facilities of the Exchange.

- (ba) A Non-Clearing Participant which has entered into clearing agreements with more than one General Clearing Participant must ensure that each trade of the Non-Clearing Participant is designated to the relevant General Clearing Participant for clearing on the basis of the HKATS log-in through which the trade is executed or in such other manner as the Exchange may specify and must have arrangements in place to notify the General Clearing Participant of such designation. The Exchange may impose a limit on the number of clearing agreements into which a Non-Clearing Participant may enter. A Non-Clearing Participant which has appointed only one General Clearing Participant to clear its trades is deemed to have all trades executed by itself designated to the General Clearing Participant for clearing.
- (c) When an Exchange Participant registers trades with the Clearing House on behalf of Clients who are not Participants of the Clearing House, it shall not match one Client's trades against another Client's trades and close out such trades with the Clearing House.

CHAPTER XII

AUTOMATED TRADING SYSTEM

Establishment of Prescribed Risk Controls in HKATS

1205A. Without prejudice to the right of the Exchange under Rule 1208B, an Exchange Participant shall establish, monitor and implement and if it is a Non-Clearing Participant, enable each HKCC Participant which clears its trades to establish, monitor and implement Prescribed Risk Controls using the HKATS Risk Functions for the Exchange Participant itself and its Authorized Persons, Remote Access Clients and any other person who is allowed to trade through HKATS via the Exchange Participant's connection or any connection granted by the Exchange through the Exchange Participant. An Exchange Participant acknowledges that orders entered into HKATS shall be subject to, and may be blocked or cancelled as part of such Prescribed Risk Controls, including the blocking or cancellation of orders by the HKCC Participant which clears its trades if it is a Non-Clearing Participant.