

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:-

“T Session” means, in relation to an Exchange Contract, the morning trading session and afternoon trading session or the day trading session as specified in its Contract Specifications;

“T+1 Session” means, in relation to an Exchange Contract, the after-hours trading session, if any, as specified in its Contract Specifications;

CHAPTER VI

EXCHANGE PARTICIPANTS AND THEIR CLIENTS

Minimum Margins

617. (a) Except as provided in paragraph (b) of this Rule or for the purpose of closing out a Client's open positions or as the Exchange may from time to time prescribe, generally or otherwise, no Exchange Participant shall transact F.O. Business for any Client until and unless the Exchange Participant has received from that Client collateral adequate to cover that Client's minimum margin requirement.
- (b) Subject to procedures prescribed by the Exchange from time to time, in respect of an established Client who has demonstrated a record of consistently meeting margin obligations and maintaining a sound financial position (“established Client”) and who has represented to the Exchange Participant that the funds necessary to fully satisfy his margin obligations will be immediately transmitted, the Exchange Participant may transact F.O. Business for the established Client even though the Exchange Participant has not received from him collateral adequate to cover his minimum margin requirement provided that:
- (i) if a new position is established on behalf of the established Client during the T Session on any Business Day, the Exchange Participant must issue a call for the amount of minimum margin withinby the close of that Business Day; if a new position is established on behalf of the established Client during the T+1 Session on any Business Day, the Exchange Participant must issue a call for the amount of minimum margin within the next Business Day;
 - (ii) the Exchange Participant must advise the established Client that the minimum margin is due as soon as practicable after the call but in no event later than the ~~next~~ Business Day following the Business Day on which the new position is established; and

- (iii) the Exchange Participant shall not permit any Client to establish new positions if the Client has calls for minimum margin which are overdue for settlement.

Notwithstanding the foregoing, an Exchange Participant shall not transact a day trade (i.e. a position that is opened and closed out within the same T Session or within the same T+1 Session) on behalf of an established Client until and unless the Exchange Participant has received from the established Client collateral adequate to cover his minimum requirements if the established Client has a history of transacting day trades exclusively.

CHAPTER VIII

TRADING ARRANGEMENTS - PRACTICES AND SYSTEMS

Execution of Block Trades

815. Exchange Participants may execute orders as a Block Trade provided that they are executed in ~~such the prescribed~~ manner and within such trading hours, and satisfy the criteria laid down in Rule 815A and such other criteria, as may be prescribed by the Board and notified to Exchange Participants from time to time ~~are satisfied~~. Any Block Trade which is not executed in the prescribed manner or within the prescribed trading hours or does not satisfy any prescribed criteria will not be considered as a valid trade by the Exchange and will not be registered or cleared by the Clearing House.

Erroneous Trades

- 819C. (a) If an Exchange Participant fails to execute a Client's order by any omission on its part or erroneously executes a Client's order such that the resulting trade differs in quantity, contract month or position (e.g. buy instead of sell) from that specified by the Client and the omission or erroneous trade is not detected until after the close of the relevant Market or immediately prior to the close of the relevant Market such that it is not possible to rectify the omission or error in the relevant Market, the Exchange Participant may assume the omitted or erroneous position into its House account by submitting to the Exchange the form prescribed from time to time by the Exchange as soon as possible after the close of the relevant Market, but not later than one hour after the close of the relevant Market, provided that the omitted order or erroneous trade relates to an Exchange Contract which has been designated by the Exchange as an Exchange Contract to which this Rule 819C applies.
- (b) ~~The Exchange may require~~ Exchange Participants ~~shall~~ provide to the Exchange such information and documents as it shall require or deem necessary to substantiate the use of this procedure and shall comply with such other procedures as may from time to time be prescribed by the Exchange relating to omitted orders and erroneous trades.
- (c) If a Client suffers loss as a result of orders omitted or erroneously executed by an Exchange Participant, the loss shall be made good by the Exchange Participant.

REGULATIONS FOR TRADING STOCK INDEX FUTURES CONTRACTS

INTERPRETATION

“Maximum Fluctuation” the maximum allowable movement in the price of any Stock Index Futures Contract per trading session above or below the last Closing Quotation or such reference price as may be specified by the Exchange from time to time as specified in the Contract Specifications;

MAXIMUM FLUCTUATION

024 The Chief Executive, after consultation with the Commission and the Exchange Board, may from time to time, specify a Maximum Fluctuation. Whenever a Maximum Fluctuation has been specified, trading can only occur at prices within the limit of the Closing Quotation from the last trading session or a reference price specified by the Exchange, plus or minus the Maximum Fluctuation.

TRADING PROCEDURES FOR STOCK INDEX FUTURES AND STOCK INDEX OPTIONS TRADED ON THE AUTOMATED TRADING SYSTEM OF THE EXCHANGE (“HKATS”)

CHAPTER 5

EMERGENCY AND EXTRAORDINARY SITUATIONS

5.1 Typhoon Signals and Black Rainstorm Warnings

(a) Trading arrangement for all trading days except the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above	
(i) If a Typhoon Signal no. 8 or above is hoisted at any time prior to 9:15 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Commencement of trading in the morning session will take place ^(Note 1): - at 9:15 a.m. if the Signal is lowered at or before 7:15 a.m.; - at 9:30 a.m. if the Signal is lowered at or before 7:30 a.m.; - at 10:00 a.m. if the Signal is lowered at or before 8:00 a.m.; - at 10:30 a.m. if the Signal is lowered at or before 8:30 a.m.; or - at 11:00 a.m. if the Signal is lowered at or before 9:00 a.m.. - There will be no trading in the morning session if the Signal is lowered after 9:00 a.m..

	<ul style="list-style-type: none"> - Commencement of trading in the afternoon session will take place^(Note 1): <ul style="list-style-type: none"> - at 1:00 p.m. if the Signal is lowered at or before 11:00 a.m.; - at 1:30 p.m. if the Signal is lowered at or before 11:30 a.m.; or - at 2:00 p.m. if the Signal is lowered at or before 12:00 noon. - There will be no trading for the day if the Signal is lowered after 12:00 noon.
(ii) If a Typhoon Signal no. 8 or above is hoisted during the Pre-Market Opening Period:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - All order activity will be terminated as soon as practically possible and no trade will be novated. - There will be no trading in the morning session. - Commencement of trading in the afternoon session will take place^(Note 1): <ul style="list-style-type: none"> - at 1:00 p.m. if the Signal is lowered at or before 11:00 a.m.; - at 1:30 p.m. if the Signal is lowered at or before 11:30 a.m.; or - at 2:00 p.m. if the Signal is lowered at or before 12:00 noon. - There will be no trading for the rest of the day in the morning session and the afternoon session if the Signal is lowered after 12:00 noon.
(iii) If a Typhoon Signal no. 8 or above is hoisted during the morning <u>trading</u> session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - Trading will be terminated 15 minutes after the hoisting of the Signal. - Commencement of trading in the afternoon <u>trading</u> session will take place^(Note 1): <ul style="list-style-type: none"> - at 1:00 p.m. if the Signal is lowered at or before 11:00 a.m.; - at 1:30 p.m. if the Signal is lowered at or before 11:30 a.m.; or - at 2:00 p.m. if the Signal is lowered at or before 12:00 noon. <p>There will be no trading for the rest of the day in the afternoon session if the Signal is lowered after 12:00 noon.</p>

(iv) If a Typhoon Signal no. 8 or above is hoisted after the end of the morning <u>trading</u> session but before the commencement of the afternoon <u>trading</u> session:	The position will be as follows: - There will be no trading in the afternoon session <u>for the rest of the day.</u>
(v) If a Typhoon Signal no. 8 or above is hoisted during the afternoon <u>trading</u> session:	The position will be as follows: - Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the day.
<u>(vi) If a Typhoon Signal no. 8 or above is hoisted after the end of the afternoon trading session but before the commencement of the after-hours trading session^(Note 2):</u>	<u>The position will be as follows:</u> <u>- There will be no trading in the after-hours trading session.</u>
<u>(vii) If a Typhoon Signal no. 8 or above is hoisted during the after-hours trading session^(Note 2):</u>	<u>The position will be as follows:</u> <u>- Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the day.</u>
<u>(viii) If a Typhoon Signal no. 8 or above is hoisted at or between 9:15 a.m. and 9:30 a.m.^(Note 3):</u>	<u>The position will be as follows:</u> <u>There will be no trading in the morning trading session.</u>

(aa) Trading arrangement for the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above	
(i) If a Typhoon Signal no. 8 or above is hoisted at any time prior to 9:15 a.m.:	The position will be as follows: - Commencement of trading in the morning <u>trading</u> session will take place ^(Note 1) : - at 9:15 a.m. if the Signal is lowered at or before 7:15 a.m.; - at 9:30 a.m. if the Signal is lowered at or before 7:30 a.m.; - at 10:00 a.m. if the Signal is lowered at or before 8:00 a.m.; - at 10:30 a.m. if the Signal is lowered at or before 8:30 a.m.; or - at 11:00 a.m. if the Signal is lowered at or before 9:00 a.m.. - There will be no trading for the day if the Signal is lowered after 9:00 a.m..

(ii) If a Typhoon Signal no. 8 or above is hoisted during the Pre-Market Opening Period:	The position will be as follows: - All order activity will be terminated as soon as practically possible and no trade will be novated. - There will be no trading for the day.
(iii) If a Typhoon Signal no. 8 or above is hoisted during the morning session:	The position will be as follows: - Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the day.
<u>(iv) If a Typhoon Signal no. 8 or above is hoisted at or between 9:15 a.m. and 9:30 a.m.^(Note 3):</u>	<u>The position will be as follows: There will be no trading in the morning trading session.</u>

Note 1: For those Contracts to which the Pre-Market Opening Period applies, the Pre-Market Opening Period will commence thirty (30) minutes before the indicated time of resumption of trading

Note 2: Applicable only to the trading of Hang Seng Index Futures and Hang Seng China Enterprises Index Futures

Note 3: Applicable only to the trading of HSI Volatility Index Futures

(b) Trading arrangement for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning	
(i) If a Black Rainstorm Warning is issued at any time prior to 9:15 a.m.:	The position will be as follows: Commencement of trading in the morning <u>trading</u> session will take place ^(Note 1) : - at 9:15 a.m. if the Warning is cancelled at or before 7:15 a.m.; - at 9:30 a.m. if the Warning is cancelled at or before 7:30 a.m.; - at 10:00 a.m. if the Warning is cancelled at or before 8:00 a.m.; - at 10:30 a.m. if the Warning is cancelled at or before 8:30 a.m.; or - at 11:00 a.m. if the Warning is cancelled at or before 9:00 a.m.. - There will be no trading in the morning <u>trading</u> session if the Warning is cancelled after 9:00 a.m.. - Commencement of trading in the afternoon <u>trading</u> session will take place ^(Note 1) :

	<ul style="list-style-type: none"> - at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.; - at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or - at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon. <p>- There will be no trading for the day if the Warning is cancelled after 12:00 noon.</p>
<p>(ii) If a Black Rainstorm Warning is issued during the Pre-Market Opening Period, the morning <u>trading</u> session or the afternoon <u>trading</u> session:</p>	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - If there was trading before the issuance of the Warning, trading will continue as usual except where the Warning was issued during the Pre-Market Opening Period in the morning before trading has commenced on SEHK, in which case all order activity will be terminated as soon as practically possible, no trade will be novated, there will be no morning <u>trading</u> session and resumption of trading in the afternoon <u>trading</u> session will take place^(Note 1) at the time specified in the paragraph below if the Warning is cancelled at or before 11:00 a.m., 11:30 a.m. or 12:00 noon. - If there was no trading before the issuance of the Warning, there will be no trading provided that if the Warning was issued during the Pre-Market Opening Period or the morning <u>trading</u> session, commencement of trading in the afternoon <u>trading</u> session will take place^(Note 1): <ul style="list-style-type: none"> - at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.; - at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or - at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon. <p>There will be no trading for the day if the Warning is cancelled after 12:00 noon.</p>
<p>(iii) If a Black Rainstorm Warning is issued after the end of the morning <u>trading</u> session but before the commencement of the afternoon <u>trading</u> session:</p>	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - If there was trading in the morning <u>trading</u> session, trading in the afternoon session will take place^(Note 1). - If there was no trading in the morning <u>trading</u> session, there will be no trading for the rest of the day in the afternoon session.

<p><u>(iv) If a Black Rainstorm Warning is issued after the end of the afternoon trading session but before the commencement of the after-hours trading session^(Note 2):</u></p>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>If there was trading in the afternoon trading session, trading in the after-hours trading session will take place.</u> - <u>If there was no trading in the afternoon trading session, there will be no trading in the after-hours trading session.</u>
<p><u>(v) If a Black Rainstorm Warning is issued during the after-hours trading session^(Note 2):</u></p>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>Trading will continue as normal until the end of the after-hours trading session.</u>
<p><u>(vi) If a Black Rainstorm Warning is issued at or between 9:15 a.m. and 9:30 a.m.^(Note 3):</u></p>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>Commencement of trading in the morning trading session will take place at 9:30 a.m.</u>

Note 1: For those Contracts to which the Pre-Market Opening Period applies, the Pre-Market Opening Period will commence thirty (30) minutes before the indicated time of resumption of trading

Note 2: Applicable only to the trading of Hang Seng Index Futures and Hang Seng China Enterprises Index Futures

Note 3: Applicable only to the trading of HSI Volatility Index Futures

<p>Contract Specifications For Hang Seng Index (HSI) Futures</p>

The following Contract Specifications shall apply to the Hang Seng Index Futures Contract**:

Maximum Fluctuation	<u>As prescribed by the Exchange from time to time</u> Nil
Pre-Market Opening Period <u>(Hong Kong time)</u>	8:45 a.m. – 9:15 a.m. and 1:00 p.m. – 1:30 p.m. (Hong Kong time) (prior to 5 March 2012) 12:30 p.m. – 1:00 p.m. (Hong Kong time) (on or after 5 March 2012)
Trading Hours <u>(Hong Kong time)</u>	9:15 a.m. – 12:00 noon <u>(morning trading session)</u> and 1:30 p.m. – 4:15 p.m. (Hong Kong time) (prior to 5 March 2012) 1:00 p.m. – 4:15 p.m. <u>(Hong Kong time) (afternoon trading session)</u> (on or after 5 March 2012) <u>5:00 p.m. – 11:00 p.m. (after-hours trading session)</u>
	There is no afternoon <u>or after-hours</u> trading session on the eves of Christmas, New Year and Lunar New Year.
	<u>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.</u>
Trading Hours on Last Trading Day <u>(Hong Kong time)</u>	9:15 a.m. – 12:00 noon <u>(morning trading session)</u> and 1:30 p.m. – 4:00 p.m. (Hong Kong time) (prior to 5 March 2012) 1:00 p.m. – 4:00 p.m. <u>(afternoon trading session)</u> (Hong Kong time) (on or after 5 March 2012)
	There shall be no afternoon <u>or after-hours</u> trading session if the Last Trading Day falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve

<p>Contract Specifications for Hang Seng China Enterprises Index (HSCEI) Futures</p>

The following Contract Specifications shall apply to the Hang Seng China Enterprises Index Futures Contract:-

Maximum Fluctuation	<u>As prescribed by the Exchange from time to time</u> Nil
Pre-Market Opening Period <u>(Hong Kong time)</u>	8:45 a.m. – 9:15 a.m. and 1:00 p.m. – 1:30 p.m. (Hong Kong time) (prior to 5 March 2012) 12:30 p.m. – 1:00 p.m. (Hong Kong time) (on or after 5 March 2012)
Trading Hours <u>(Hong Kong time)</u>	9:15 a.m. - 12:00 noon <u>(morning trading session)</u> and 1:30 p.m. – 4:15 p.m. (Hong Kong time) (prior to 5 March 2012) 1:00 p.m. – 4:15 p.m. <u>(afternoon trading session) (Hong Kong time) (on or after 5 March 2012)</u> <u>5:00 p.m. – 11:00 p.m. (after-hours trading session)</u>
	There is no afternoon <u>or after-hours</u> trading session on the eves of Christmas, New Year and Lunar New Year.
	<u>There is no after-hours trading session if it is a bank holiday in both the United Kingdom and the United States.</u>
Trading Hours on Last Trading Day <u>after 5 March 2012)</u>	9:15 a.m. - 12:00 noon <u>(morning trading session)</u> and 1:30 p.m. – 4:00 p.m. (Hong Kong time) (prior to 5 March 2012) 1:00 p.m. – 4:00 p.m. <u>(afternoon trading session) (Hong Kong time) (on or after 5 March 2012)</u>
	There shall be no afternoon <u>or after-hours</u> trading session if the Last Trading Day falls on Christmas Eve, New Year’s Eve or Lunar New Year’s Eve