

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:-

<u>“Hong Kong dollar”, “HKD” or “\$”</u>	<u>means Hong Kong Dollar, the lawful currency of Hong Kong;</u>
<u>“Renminbi” or “RMB”</u>	<u>means Renminbi, the lawful currency of the People’s Republic of China, for settlement in Hong Kong;</u>

CHAPTER VIII

TRADING ARRANGEMENTS: PRACTICES AND SYSTEMS

815A. An Exchange Participant must ensure that the following criteria are satisfied when conducting a Block Trade:

(1) Block Trade Contracts

A Block Trade may be transacted only in Block Trade Contracts designated by the Board and notified to Exchange Participants from time to time.

(2) Minimum Volume Threshold

(a) Subject to Rule 815A(2A), an Exchange Participant shall not execute any order as a Block Trade unless that order meets the applicable Minimum Volume Threshold set forth below and the Exchange Participant has received instructions or has been specifically authorized to execute the order as a Block Trade:

Exchange Contract	Minimum Volume Threshold (no. of contracts)
Stock Index Futures	100
Stock Index Options	100**
Stock Futures	100
Options on Stock Futures	100
HIBOR Futures (other than HIBOR strips)	80*
HIBOR strips	20
EFN Futures	200
Gold Futures	100
<u>Currency Futures</u>	<u>50</u>

* For a single order involving a spread or a strategy combination except HIBOR strips, at least one of the legs of the spread or strategy combination must meet the Minimum Volume Threshold.

** For any order of Stock Index Options Contracts, all legs of a spread or a strategy combination that relate to Flexible Options must meet the Minimum Volume Threshold.

APPENDIX B – FEES

Description

Amount¹

Exchange trading fees

USD/CNH Futures

House/Client a/c
MM a/c

RMB 8.00/Lot
RMB 1.60/Lot

¹ Unless otherwise specified, the amounts listed in this appendix are in HK dollars

² The number of contracts that are eligible for a reduced Exchange Fee may be limited as specified in the Procedures relating to Stock Index Futures and Stock Index Options contained in these Rules

Contract Specifications
For
US Dollar vs Renminbi (Hong Kong) (“USD/CNH”) Futures

The following Contract Specifications shall apply to the USD/CNH Futures Contract:

<u>Contract Size</u>	<u>USD100,000</u>
<u>Contract Months</u>	<u>Spot month, the next three calendar months and the next three calendar quarter months (i.e. quarter months are March, June, September and December). The Chief Executive may, in consultation with the Commission, introduce additional Contract Months for trading from time to time as he considers appropriate</u>
<u>Price Quotation</u>	<u>RMB per USD (e.g. RMB 6.2486 per USD)</u>
<u>Minimum Fluctuation</u>	<u>RMB 0.0001 (4 decimal places)</u>
<u>Tick Value</u>	<u>RMB 10</u>
<u>Contracted Price</u>	<u>The price at which a USD/CNH Futures Contract is registered by the Clearing House</u>
<u>Contracted Value</u>	<u>Contracted Price multiplied by the Contract Size (e.g. RMB 6.2486 x 100,000)</u>
<u>Trading Hours</u>	<u>9:00 a.m. – 4:15 p.m. (Hong Kong time)</u> <u>There is no trading after 12:00 noon on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 9:00 a.m. – 12:00 noon (Hong Kong time)</u>
<u>Trading Hours on the Last Trading Day</u>	<u>9:00 a.m. – 11:00 a.m. (Hong Kong time)</u>
<u>Trading Method</u>	<u>The Exchange’s Automated Trading System (HKATS)</u>
<u>Position Limits</u>	<u>8,000 net contracts in all Contract Months combined and no more than 2,000 open contracts in the Spot Month Contract during the five Hong Kong Business Days up to and including the Last Trading Day per Exchange Participant for the Exchange Participant’s own behalf; and</u> <u>8,000 net contracts in all Contract Months combined and no more than 2,000 open contracts in the Spot Month Contract during the five Hong Kong Business Days up to and including the Last Trading Day, per Client</u>

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<u>Large Open Positions</u>	<u>500 open contracts, in any one Contract Month, per Exchange Participant for the Exchange Participant's own behalf; and</u> <u>500 open contracts, in any one Contract Month, per Client</u>
<u>Settlement Method</u>	<u>Delivery of US dollars by the Seller and payment of the Final Settlement Value in RMB by the Buyer in accordance with the mechanism and provisions set forth in the Regulations for trading Currency Futures Contracts and the Clearing House Rules</u>
<u>Final Settlement Value</u>	<u>Contract Size x Final Settlement Price</u>
<u>Final Settlement Day</u>	<u>The third (3rd) Wednesday of the Contract Month. If it is not a Hong Kong Business Day, the Final Settlement Day shall be the next Hong Kong Business Day</u>
<u>Last Trading Day</u>	<u>The Last Trading Day of a Contract shall be two Hong Kong Business Days prior to the Final Settlement Day</u>
<u>Final Settlement Price</u>	<u>Spot USD/CNY(HK) fixing published by the Hong Kong Treasury Market Association at 11:15 a.m. on the Last Trading Day</u>
<u>Trading Fee</u> (per contract per side)	<u>Exchange Fee</u> <u>RMB 8.00</u> <u>The amount indicated above is subject to change from time to time</u>
<u>Levies</u> (per contract per side)	<u>Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance</u>
<u>Commission Rate</u>	<u>Negotiable</u>

REGULATIONS FOR TRADING CURRENCY FUTURES CONTRACTS

INTERPRETATION

001 These Regulations may be cited as the Regulations for trading Currency Futures Contracts (hereinafter referred to as the "Regulations").

002 The Exchange Rules and the Clearing House Rules (referred to collectively as the "Rules") including the definitions, rules of interpretation and administrative provisions shall apply for the purposes of these Regulations. Unless specifically provided otherwise, the terms and expressions set out below shall have the meanings attributed to them herein. In the event of any conflict or inconsistency between the Rules (other than these Regulations) and these Regulations, including the Contract Specifications (which form part of these Regulations), the Regulations shall in all cases prevail.

"Buyer" an HKCC Participant registered as the buyer of a Currency Futures Contract pursuant to the Clearing House Rules;

"Contract Month" in respect of any Currency Futures Contract, the month and year by which that contract is so designated by the Board for settlement under these Regulations and in which settlement of that contract must be made in accordance with these Regulations;

"Contract Size" for any Currency Futures Contract, the size so designated in the applicable Contract Specifications;

"Contract Specifications" those terms and conditions of a Currency Futures Contract as from time to time specified by the Board pursuant to Regulations 003 – 004;

"Contracted Price" the price at which a Currency Futures Contract is registered by the Clearing House;

"Contracted Value" the Contracted Price multiplied by the Contract Size;

"Currency Futures Contract" an Exchange Contract subject to these Regulations;

"Currency Futures Market" a Market subject to these Regulations;

"Final Settlement Day" the day on which a Currency Futures Contract must be settled as specified in the Contract Specifications;

<u>“Final Settlement Price”</u>	<u>the price as determined by the Clearing House pursuant to Regulation 011 or the Chief Executive pursuant to Regulation 012;</u>
<u>“Final Settlement Value”</u>	<u>the Final Settlement Price multiplied by the Contract Size;</u>
<u>"HKATS"</u>	<u>the Exchange's automated trading system, as defined in the Rules;</u>
<u>“Hong Kong Business Day”</u>	<u>means any day during which the Exchange is open for trading Exchange Contracts according to the trading calendar prescribed by the Exchange from time to time based on the Hong Kong holiday schedule;</u>
<u>"Large Open Position"</u>	<u>the number of open Exchange Contracts determined by the Board to be a Large Open Position pursuant to Rule 628 of the Exchange Rules;</u>
<u>“Last Trading Day”</u>	<u>the last day of trading for a Currency Futures Contract as specified in the Contract Specifications;</u>
<u>“Minimum Fluctuation”</u>	<u>the minimum allowable movement in the price of any Currency Futures Contract as specified in the Contract Specifications;</u>
<u>“Seller”</u>	<u>an HKCC Participant registered as the seller of a Currency Futures Contract pursuant to the Clearing House Rules;</u>
<u>"Settlement Currency"</u>	<u>(a) in respect of any Currency Futures Contract which is a cash settled contract for difference, the currency in which the Currency Futures Contract shall be settled, as specified in the Contract Specifications; and (b) in respect of any Currency Futures Contract which is a Physical Delivery Contract:</u> <u>(i) in the case of the Buyer, the Settlement Currency shall be the currency in which the Currency Futures Contract shall be settled by the Buyer; and</u> <u>(ii) in the case of the Seller, the Settlement Currency for final settlement shall be the currency</u>

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;

<u>“Spot Month”</u>	<u>in a given month: (i) on day(s) prior to and on the Last Trading Day of that month, a Spot Month Currency Futures Contract refers to a Currency Futures Contract traded on such days that has a Last Trading Day in that same given month; and (ii) on the day after the Last Trading Day of that month, a Spot Month Currency Futures Contract refers to a Currency Futures Contract traded on such a day that has a Last Trading Day in the immediately following month;</u>
<u>“Tick Value”</u>	<u>the value of the Minimum Fluctuation multiplied by the Contract Size;</u>
<u>“Trading Hours”</u>	<u>such period or periods, approved by the Board, within a Hong Kong Business Day in which trading in any or all Currency Futures Contracts occurs, as specified in the Contract Specifications; and</u>
<u>“Underlying Currency”</u>	<u>in respect of any Currency Futures Contract which is a Physical Delivery Contract, the currency underlying the Currency Futures Contract which shall be delivered by the Seller.</u>

CONTRACT SPECIFICATIONS

003 The terms and conditions for each Currency Futures Contract shall include, among other things:

- (a) Commission Rate;
- (b) Contract Months;
- (c) Contract Size;
- (d) Contracted Price;
- (e) Final Settlement Day;
- (f) Final Settlement Price;
- (g) Final Settlement Value;
- (h) Large Open Positions;
- (i) Last Trading Day;
- (j) Minimum Fluctuation;
- (k) Position Limits;
- (l) Price Quotation;
- (m) Settlement Currency;
- (n) Settlement Method;
- (o) Tick Value;
- (p) Trading Hours; and
- (q) Trading Method.

004 Contract Specifications for Currency Futures Contracts may be changed from time to time by the Board in consultation with the Commission. Exchange Participants shall be given notice of a change in the Contract Specifications prior to implementation of the change.

TRADING

005 Bids and offers for Currency Futures Contracts shall be expressed in terms of a number in multiples of the Minimum Fluctuation. The Minimum Fluctuation shall be as prescribed in the Contract Specifications from time to time.

006 Trading in Currency Futures Contracts shall be carried out through HKATS in accordance with the Rules, these Regulations and the applicable Procedures.

007 The Currency Futures Market shall be open for trading in Currency Futures Contracts on every Hong Kong Business Day subject to the Exchange Rules. Trading hours shall be as prescribed by the Board from time to time.

008 Subject to the Exchange Rules, trading in Currency Futures Contracts shall cease at the close of trading hours on the applicable Last Trading Day or at such other times as specified by the Board.

009 All disputes as to bids, offers, acceptances or withdrawals during trading sessions shall be governed by the Exchange Rules.

FINAL SETTLEMENT PRICE

- 010 The Exchange shall, in conjunction with the Clearing House, announce the Final Settlement Price as soon as practicable after it has been determined.
- 011 Subject to Regulation 012, the Final Settlement Price of a Currency Futures Contract shall be determined by the Clearing House in accordance with the Contract Specifications.
- 012 If, in the opinion of the Chief Executive, circumstances are developing or have developed which are capable of preventing the calculation of a Final Settlement Price, or which may render a Final Settlement Price unrepresentative of the level of exchange rate of the underlying currency at the close of trading on the Last Trading Day, then the Chief Executive, after consultation with the Commission, may either on his own or in conjunction with the Clearing House take such steps as he deems appropriate to enable the Final Settlement Price to be determined.

SETTLEMENT

- 013 Trading in Currency Futures Contracts which are cash settled contracts for difference shall be conducted in and confined to Exchange Contracts for the delivery, by cash settlement on the Final Settlement Day, of an amount in the Settlement Currency, equal to the difference between the Final Settlement Value and the Contracted Value of such Currency Futures Contracts.
- 014 (a) The obligations of the Buyer and the Seller under a Currency Futures Contract which is a cash settled contract for difference are as follows:-
- (i) If the Contracted Value is less than the Final Settlement Value, the Seller shall be liable to pay to the Clearing House the difference between that Contracted Value and the Final Settlement Value.
 - (ii) If the Contracted Value is greater than the Final Settlement Value, the Buyer shall be liable to pay to the Clearing House the difference between that Contracted Value and the Final Settlement Value.
- (b) The rights of the Buyer and the Seller under a Currency Futures Contract which is a cash settled contract for difference are as follows:-
- (i) If the Contracted Value is less than the Final Settlement Value, the Buyer shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Final Settlement Value.

- (ii) If the Contracted Value is greater than the Final Settlement Value, the Seller shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Final Settlement Value.
- 015 The obligations and rights of the Buyer and the Seller of a Currency Futures Contract which is a cash settled contract for difference shall be satisfied by cash settlement of an amount, in the currency as specified in the Contract Specifications, by or with the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.
- 016 Trading in a Currency Futures Contract which is a Physical Delivery Contract shall be conducted in and confined to an Exchange Contract for the delivery by the Seller of the Underlying Currency and the payment by the Buyer of the Final Settlement Value in the Settlement Currency on the Final Settlement Day.
- 017 (a) The obligations of the Buyer and the Seller under a Currency Futures Contract which is a Physical Delivery Contract are as follows:-
- (i) The Seller shall be liable to deliver to the Clearing House the Underlying Currency of the Currency Futures Contract according to the Contract Size.
- (ii) The Buyer shall be liable to pay to the Clearing House the Final Settlement Value in the Settlement Currency.
- (b) The rights of the Buyer and the Seller under a Currency Futures Contract which is a Physical Delivery Contract are as follows:-
- (i) The Seller shall be entitled to receive from the Clearing House the Final Settlement Value in the Settlement Currency, which shall be the currency in which the Currency Futures Contract is traded.
- (ii) The Buyer shall be entitled to receive the Underlying Currency of the Currency Futures Contract according to the Contract Size.
- 018 The obligations and rights of the Buyer and the Seller of a Currency Futures Contract which is a Physical Delivery Contract shall be satisfied by delivery of the Underlying Currency or payment of the Final Settlement Value to or by the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

SETTLEMENT CURRENCY AND CONVERSION RATES

019 Where the currency in which a Currency Futures Contract is traded is different from the Settlement Currency, the amount required to be settled by an Exchange Participant on the Final Settlement Day shall, where applicable, be converted to the Settlement Currency equivalent. The conversion rate to be applied shall be determined by the Clearing House in accordance with the Contract Specifications. If the rate is unobtainable, or circumstances have arisen or are threatened which will prevent the determination of the conversion rate in accordance with the Contract Specifications, the Clearing House may, in its discretion, adjust or otherwise determine the conversion rate.

020 The Clearing House will promptly announce these rates after they are determined. Exchange Participants must use these rates for conversions at the Client account level.

REGISTRATION

021 All Exchange Participants trading in Currency Futures Contracts shall comply with applicable Procedures. The Clearing House Rules shall govern the registration and clearing of Currency Futures Contracts.

MARGIN AND VARIATION ADJUSTMENTS

022 Clearing House margin, additional margin and variation adjustments shall be set, collected or distributed in respect of Currency Futures Contracts in the Settlement Currency in accordance with the Rules.

COMMISSION AND LEVIES

023 (a) The rate of commission for each Currency Futures Contract shall be negotiable between an Exchange Participant and its Client.

(b) Trading of Currency Futures Contracts shall be subject to an Exchange fee which shall become immediately payable to the Exchange upon registration of each Contract with the Clearing House. The Exchange fee shall be paid to the Exchange through the Clearing House and shall be set by the Board from time to time.

(c) Any levies required to be paid pursuant to the Ordinance or the Contract Specifications in consequence of trading in Currency Futures Contracts shall be paid to the Exchange through the Clearing House in such manner as the Exchange shall, in consultation with the Commission, prescribe from time to time.

NON-COMPLIANCE

024 An Exchange Participant which does not comply with these Regulations, the Rules and the applicable Procedures in any respect (including, without limitation, settlement with the Clearing House on the Final Settlement Day) shall be liable to disciplinary proceedings under the Exchange Rules.

LARGE OPEN POSITIONS

025 (a) The Board shall specify Large Open Positions in the Contract Specifications as provided for in the Exchange Rules.

(b) Exchange Participants shall report Large Open Positions to the Chief Executive or the designated Exchange staff as required by the Rules and the applicable Procedures.

POSITION LIMITS

026 (a) The Chief Executive may impose Position Limits on Exchange Participants and their Clients as provided for in the Rules and such Position Limits shall be specified in the Contract Specifications.

(b) Subject to Exchange Rules 629(e) and 630(e), the Chief Executive may, on a case-by-case basis, increase, decrease or remove the Position Limits imposed pursuant to the Rules by giving notice in writing to the Clearing House, the Exchange Participant and the Commission.

(c) The Chief Executive shall not be required to give any reasons for his decision to increase, decrease or remove the Position Limits pursuant to the Rules.

(d) Failure to comply with the Position Limits is governed by the Rules.

(e) Subject to Exchange Rules 629(e) and 630(e), the Chief Executive may approve higher Position Limits for Market Makers.

Note: The Commission may also impose contract limits under the Ordinance.

**TRADING PROCEDURES FOR CURRENCY FUTURES TRADED ON THE
AUTOMATED TRADING SYSTEM OF THE EXCHANGE (“HKATS”)**

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These procedures shall be read in conjunction with and shall form part of the Exchange Rules. Unless otherwise indicated, the terms used herein shall have the same meanings as contained in the Exchange Rules and/or the Clearing House Rules.

CHAPTER 1

TRADING

1.1 Method of Trading

Trading in Currency Futures Contracts shall be conducted exclusively through the Automated Trading System of the Exchange (“HKATS”) in accordance with the Exchange Rules, the Clearing House Rules, applicable Regulations, Contract Specifications and Procedures, the Clearing House Procedures and the HKATS User’s Guide.

CHAPTER 2

ELIGIBILITY TO TRADE CURRENCY FUTURES CONTRACTS

2.1 Currency Futures Trading Privileges

An Exchange Participant must be approved by and registered with the Exchange to trade through HKATS.

An Exchange Participant must be approved by the Exchange to trade Currency Futures Contracts through HKATS.

To be approved to trade Currency Futures Contracts an Exchange Participant shall have at least one (1) HKATS Exchange Participant Representative who is registered with the Exchange to trade Currency Futures Contracts.

CHAPTER 3

MARKET MAKERS IN CURRENCY FUTURES CONTRACTS

3.1 Application for a Market Maker Permit

An Exchange Participant's application for a Market Maker permit in a Currency Futures Contract shall be made in writing to the Exchange.

Upon granting a Market Maker permit in the Currency Futures Contract and any subsequent approval thereunder, the Exchange shall assign the Market Maker (itself if applicable and each of its market making arrangements if any) with not less than three (3) contract months in the Currency Futures Contract.

The Exchange may, at the absolute discretion of the Chief Executive, revoke a Market Maker permit in the Currency Futures Contract or any market making arrangement or other approval granted thereunder if it does not meet the market making requirements set forth in procedures 3.2.1 and/or 3.2.2 for two (2) consecutive calendar months.

3.2 Market Making Requirements of a Market Maker

In order for a Market Maker to be entitled to Market Maker Incentives (for itself if applicable and for each of its market making arrangements under the relevant Market Maker permit if any), the Market Maker (itself if applicable) and each such market making arrangement shall separately be required to satisfy the market making requirements set forth in this procedure 3.2. References to "Market Maker" in procedures 3.2, 3.3 and 3.4 shall accordingly be construed to mean "Market Maker (itself if applicable) and each of its market making arrangements under the relevant Market Maker permit" or, where the context requires otherwise, any of them.

3.2.1 Market Making Requirements of a Market Maker in a Currency Futures Contract

3.2.1.1 A Market Maker in a Currency Futures Contract must either respond to Quote Requests or provide continuous Quotes. The Exchange Participant shall notify the Exchange of the Market Maker's election(s).

3.2.1.2 Responding to Quote Requests

If a Market Maker in a Currency Futures Contract elects to respond to Quote Requests, it shall:

3.2.1.2.1 respond to not less than seventy (70) percent of the Quote Requests on the assigned contract months in the Currency Futures Contract during the market making hours specified in procedure 3.2.2 in each calendar month;

3.2.1.2.2 respond to a Quote Request on an assigned contract month in the Currency Futures Contract within ten (10) seconds of the Quote Request's display on HKATS;

3.2.1.2.3 respond to a Quote Request on an assigned contract month in the Currency Futures Contract with a Quote for a bid/offer spread of not greater than the number of Minimum Fluctuations and for a size of not less than the number of contracts set forth below, unless otherwise specified by the Exchange from time to time:

<u>Currency Futures Contract</u>	<u>Maximum Bid/Offer Spread (Minimum Fluctuations)</u>	<u>Minimum Quote Size (Contracts)</u>
<u>USD/CNH</u>	<u>30</u>	<u>10</u>

3.2.1.2.4 display on HKATS a Quote made in response to a Quote Request on an assigned contract month in the Currency Futures Contract for not fewer than ten (10) seconds.

3.2.1.3 Providing Continuous Quotes

If a Market Maker in a Currency Futures Contract elects to provide continuous Quotes, it shall:

3.2.1.3.1 quote the assigned contract months in the Currency Futures Contract during not less than seventy (70) percent of the market making hours specified in procedure 3.2.2 in each calendar month;

3.2.1.3.2 quote the assigned contract months in the Currency Futures Contract with a bid/offer spread of not greater than the number of Minimum Fluctuations and for a size of not fewer than the number of contracts set forth below, unless otherwise specified by the Exchange from time to time:

<u>Currency Futures Contract</u>	<u>Maximum Bid/Offer Spread (Minimum Fluctuations)</u>	<u>Minimum Quote Size (Contracts)</u>
<u>USD/CNH</u>	<u>30</u>	<u>10</u>

3.2.2 A Market Maker in a Currency Futures Contract shall be required to fulfil the market making requirements set forth in procedure 3.2.1 during the following trading hours on each Hong Kong Business Day:

<u>Currency Futures Contract</u>	<u>Market Making Hours (Hong Kong time)</u>
<u>USD/CNH</u>	<u>9:00 a.m. to 4:15 p.m.</u>

The market making hours may be adjusted by the Chief Executive from time to time.

3.3 *Market Making Requirements During Unusual Market Conditions*

During Unusual Market Conditions, the Chief Executive may, in his discretion, temporarily suspend or modify some or all of the market making requirements of a Market Maker.

3.4 *Market Maker Incentives*

A Market Maker in a Currency Futures Contract shall be entitled to pay a reduced Exchange Fee of an amount specified in Appendix B on transactions effected in the Currency Futures Contract.

Unless otherwise determined by the Chief Executive, a Market Maker shall be entitled to the above Market Maker Incentives only if it satisfies the market making requirements set forth in procedures 3.2.1 and 3.2.2. Without prejudice to any powers or rights of the Exchange or the Chief Executive, if a Market Maker in a Currency Futures Contract does not meet the prescribed market making requirements for a calendar month, the Exchange reserves the right to charge, at the absolute discretion of the Chief Executive, such Market Maker Exchange Fees at the full rate as specified in the respective Contract Specifications for all transactions effected in that calendar month for all products in respect of which reduced Exchange Fees have been provided for in this procedure.

3.5 *Market Maker may not Trade for Client*

A Market Maker in a Currency Futures Contract shall not in its capacity as such accept an Order or execute a transaction for any Client and shall ensure that each of its market making arrangements will not execute any transaction for an account other than its own account.

3.6 *Separate Market Maker Accounts for Market Making Arrangements*

Trades arising from market making activities in relation to each of the Market Maker's market making arrangements will be recorded in separate market maker accounts.

CHAPTER 4

DEALING FUNCTIONALITY

4.1 Order Entry

An Order in a Currency Futures Contract may be entered into HKATS only during the trading hours and, where applicable, the pre-opening session (in respect of Limit Orders and Auction Orders) and the pre-open allocation session (in respect of Auction Orders only) of the Pre-Market Opening Period for the Currency Futures Contract.

4.2 Automatic Cancellation of an Order due to Suspension of Trading or Site Failure

An Order resident on the Central Orderbook for a Currency Futures Contract will be canceled upon the suspension of trading in that Currency Futures Contract.

Notification of a suspension of trading in a Currency Futures Contract will be made on the HKATS Market Message display window.

Notification of the resumption of trading in a suspended Currency Futures Contract will be made on the HKATS Market Message display window not less than ten (10) minutes, or such shorter period as the Chief Executive may determine, prior to the resumption of trading in that Currency Futures Contract.

An Order automatically canceled due to the suspension of trading in a Currency Futures Contract may be re-entered into HKATS upon the resumption of trading in that Currency Futures Contract.

In the event of a system failure at an Exchange Participant's site, the Exchange Participant shall contact the Exchange at the HKATS hotline listed in the HKATS User's Guide and advise the Exchange if it wishes to have all its outstanding Orders canceled or remain activated. An Order of an Exchange Participant resident on the Central Orderbook will be inactivated 10 minutes after the occurrence of a system failure at the Exchange Participant's site unless the Exchange Participant has requested the Exchange to keep the Order activated within 10 minutes of the site failure. The Exchange shall not be liable to an Exchange Participant for canceling or keeping activated any Order of the Exchange Participant at its instructions or purported instructions.

An Exchange Participant affected by a system failure at its site may arrange with other Exchange Participants to handle new Orders and subsequently reallocate resulting trades to the corresponding accounts through external allocation according to the Clearing House Rules.

4.3 Order Amendments and Cancellations

An Order in a Currency Futures Contract entered into the Central Orderbook on behalf of a Client or the Exchange Participant and designated a particular Order number may be amended or canceled provided that the amendment or

cancellation is made in compliance with the instructions of that Client or the Exchange Participant, as the case may be, in respect of that particular Order.

Exchange Participants may amend, cancel or inactivate Orders resident in the Central Orderbook (“Valid Orders”) only during trading hours and the period of 30 minutes before the opening of each trading session if the Pre-Market Opening Period is not applicable or the pre-opening session of the Pre-Market Opening Period if the Pre-Market Opening Period applies.

A Valid Order that is amended in connection with a reduction in size, a change in the duration of validity, or modification of optional (“free”) text information shall not affect the time priority of the original Valid Order.

A Valid Order that is amended in connection with price or an increase in size: (i) will result in the loss of time priority of the original Valid Order if the amendment is made during trading hours; (ii) will be immediately converted into an inactive Order if the amendment is made during the 30-minute period before the opening of a trading session (where the Pre-Market Opening Period is not applicable); and (iii) will result in the loss of time priority of the original Valid Order if the amendment is made during the Pre-Market Opening Period (where the Pre-Market Opening Period is applicable).

4.4 Execution of Standard Combinations

4.4.1 In the event an Order for a spread or strategy combination listed in the “Series/Combinations” window of HKATS (“standard combination”) involving Currency Futures Contracts is entered into HKATS, HKATS will automatically generate derived Orders (“Bait Orders”) based on the prevailing market price of each individual market series comprising the standard combination and the price of the Order for the standard combination. Prices of these Bait Orders will be automatically adjusted according to price movement in the individual market series comprising the standard combination.

4.4.2 The ranking of Bait Orders shall be in accordance with the time the original Order for the standard combination is entered into HKATS and not the time the Bait Orders are generated.

4.4.3 In the event an Order for a standard combination is executed separately as Bait Orders in the individual market series, each Currency Futures Contract comprising the standard combination will be matched at the prevailing market price of the individual market series. Any matched Contracts will be recorded in HKATS as separate trades in the individual market series.

4.4.4 In the event an Order for a standard combination is executed in the standard combination market and not as Bait Orders in the individual market series, the executed price of the standard combination may not necessarily correspond with the prevailing market prices of the Currency Futures Contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

4.5 Execution of Non-Standard Combinations

4.5.1 Combinations defined by Exchange Participants using the “Enter Combination” window of HKATS (“non-standard combinations”) may only be executed as “fill or kill” Orders. A non-standard combination which has been fully executed will be recorded in HKATS as separate trades in the individual Contracts comprising the non-standard combination.

4.5.2 The Exchange may from time to time prescribe the maximum number of order entries which an Exchange Participant is allowed to enter into HKATS each Business Day in relation to non-standard combinations. Unless otherwise determined by the Exchange, such prescribed maximum number shall be whichever is the higher of (i) the number of non-standard combination trades actually executed by the Exchange Participant that Business Day multiplied by 25; or (ii) 2,000, and for the purposes of this procedure 4.5.2, each leg of a non-standard combination shall be construed as a separate order entry and each trade executed from a non-standard combination leg shall be construed as a separate non-standard combination trade.

4.5.3 Without prejudice to the rights of the Exchange and the Chief Executive under Rules 807A(b) and 1201(e), an Exchange Participant which exceeds the maximum number of order entries prescribed shall be liable to pay to the Exchange such fees as specified in Appendix B to the Rules.

4.6 Bulletin Board

4.6.1 The application of the Bulletin Board to any Currency Futures Contract(s) shall be notified to Exchange Participants.

4.6.2 Where the Bulletin Board is applicable to any Currency Futures Contract(s), an Exchange Participant may define and place Orders for strategy trades involving such Currency Futures Contract(s) in the Bulletin Board Orderbook window for execution by other Exchange Participants provided the following criteria are satisfied:

- a price shall be entered in respect of each strategy trade Order;
- the quantity shall be specified in respect of each futures contract month (“leg”) comprising the strategy trade;
- the total number of legs comprising each strategy trade shall not be less than two or more than eight; and

- no two futures contract months comprising a strategy trade shall be identical.

4.6.3 Prior to placing a strategy trade into the Bulletin Board Orderbook window, an Exchange Participant shall ensure that no other strategy trades exist in the Bulletin Board Orderbook window that could be matched by such strategy trade.

4.6.4 Subject to procedure 4.6.5, an Exchange Participant may accept and execute a strategy trade placed in the Bulletin Board Orderbook window provided the following criteria are satisfied:

- notwithstanding that the Exchange Participant may modify the price of any leg comprising the strategy trade, the prices of two or “x” minus two legs, whichever is greater, must satisfy the spread check rule; and
- the absolute values of the Net Price and the Calc Net Price are identical except that one is a positive number and the other is a negative number.

For the purpose of this procedure 4.6.4,

“x” means the total number of legs comprising the strategy trade;

“spread check rule” refers to the requirement that the price of a particular leg comprising a strategy trade must be at or between the prevailing bid/offer prices for such leg provided that if no prevailing bid/offer prices exist in respect of such leg, the price specified shall be deemed to have satisfied the spread check rule;

“Net Price” means the net premium that the Exchange Participant which placed the strategy trade is willing to pay or receive in respect of the strategy trade; and

“Calc Net Price” means the net premium that the Exchange Participant which is accepting and executing the strategy trade is willing to pay or receive in respect of the strategy trade.

4.6.5 Exchange Participants shall adhere strictly to the price/time priority principle in executing strategy trades placed in the Bulletin Board Orderbook window. Any strategy trade which is not executed in accordance with the price/time priority principle will not be considered as a valid trade by the Exchange and, notwithstanding any provisions of the Exchange Rules or the Clearing House Rules, will not be registered or cleared by the Clearing House. In the event that an Exchange Participant has been notified by the Exchange that a strategy trade is invalid on the Business Day during which the strategy trade is

executed, the Exchange in conjunction with the Clearing House will, without being required to give further notice to the Exchange Participant, delete the invalid strategy trade from HKATS and the “deal file” of the clearing system as if the strategy trade had never been executed. 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 Exchange or the Clearing House directly or indirectly in connection with the deletion of any invalid strategy trades.

4.6.6 Notwithstanding the provisions of Chapter 3 of these procedures, a Market Maker in a Currency Futures Contract shall not be required to respond to a Quote Request for a strategy trade involving Currency Futures Contracts in the Bulletin Board Orderbook window.

4.6.7 Notwithstanding the provisions of procedure 4.3, any amendment to an Order for strategy trade involving Currency Futures Contracts in the Bulletin Board Orderbook window will result in the loss of time priority of the Order.

4.7 Pre-Market Opening

4.7.1 The pre-market opening algorithm of HKATS shall apply to such Currency Futures Contract(s) as the Exchange may from time to time notify to Exchange Participants.

4.7.2 The Pre-Market Opening Period shall comprise (i) the pre-opening session; (ii) the pre-open allocation session; and (iii) the open allocation session, the duration of which may be changed by the Exchange and notified to Exchange Participants from time to time at its discretion.

4.7.3 During the pre-opening session, Limit Orders and Auction Orders may be entered into HKATS and may be amended or canceled subject to the provisions of procedure 4.3. During the pre-open allocation session, only Auction Orders may be entered into HKATS. No Orders may be amended or canceled during the pre-open allocation session. During the open allocation session, no Orders may be entered into HKATS and no Orders may be amended or canceled. The Calculated Opening Price (COP), if any, will be calculated, and Orders will be matched subject to Rule 1215 or converted into Limit Orders or inactive Orders in accordance with the procedures set forth below during the open allocation session.

4.7.4 A COP will be calculated only if the highest bid price of the Limit Orders entered into HKATS is greater than or equal to the lowest ask price of the Limit Orders. If more than one price satisfies this criterion, the COP shall be calculated according to the following rules:

- 4.7.4.1 The COP shall be one of the bid or offer prices falling at or within the highest bid price and the lowest ask price of the Limit Orders;
- 4.7.4.2 The COP shall be the price at which the number of contracts matched would be maximized;
- 4.7.4.3 If more than one price satisfies the rule in procedure 4.7.4.2, the COP shall be the price at which the normal order imbalance is the lowest. For the purposes of this procedure, normal order imbalance is defined as the difference between the number of bid contracts and the number of ask contracts that can be matched at a certain price;
- 4.7.4.4 If more than one price satisfies the rule in procedure 4.7.4.3, the COP shall be the price at which (i) the aggregate number of contracts comprising the bid Auction Orders and bid Limit Orders at or above that price or (ii) the aggregate number of contracts comprising the ask Auction Orders and ask Limit Orders at or below that price would be the highest;
- 4.7.4.5 If more than one price satisfies the rule in procedure 4.7.4.4, the COP shall be the price closest to the previous Closing Quotation (as defined in the Clearing House Rules) of the relevant Currency Futures Contract and if different trading sessions apply, (i) the COP in the case of the morning trading session shall be the price closest to the previous Closing Quotation as aforesaid and (ii) the COP in the case of the afternoon trading session shall be the price closest to the last traded price if the relevant Currency Futures Contract was traded in the immediately preceding morning trading session or if there was no trading in the immediately preceding morning trading session, the rule in this procedure 4.7.4.5 shall be disregarded and the calculation of the COP shall proceed in accordance with the rule set forth in procedure 4.7.4.6;
- 4.7.4.6 If more than one price satisfies the rule in procedure 4.7.4.5, the COP shall be the highest of such prices.
- 4.7.5 If a COP is calculated, Auction Orders and Limit Orders with ask prices at or below, or bid prices at or above, such determined COP shall be matched at the COP to the extent possible and any unmatched Auction Order shall be converted into a Limit Order with a bid or ask price equal to the COP immediately before Market open. The ranking of such converted Auction Orders and Limit Orders at the COP shall be in accordance with the time the converted Auction Orders and Limit Orders were originally entered into HKATS.

- 4.7.6 If no COP can be calculated according to procedure 4.7.4 but bid and ask prices exist, all bid Auction Orders will be converted immediately before Market open into bid Limit Orders at the highest bid price and all ask Auction Orders will be converted immediately before Market open into ask Limit Orders at the lowest ask price of the Limit Orders entered into HKATS. The ranking of such converted Auction Orders and Limit Orders with the highest bid price or lowest ask price, as the case may be, shall be in accordance with the time the Auction Orders and Limit Orders were originally entered into HKATS.
- 4.7.7 If no COP can be calculated according to procedure 4.7.4 and no bid price or ask price exists, all bid Auction Orders (if no bid price exists) and all ask Auction Orders (if no ask price exists) will be converted into inactive Orders immediately before Market open.
- 4.7.8 The conduct of the Pre-Market Opening Period shall be under the surveillance of designated HKATS Officials. A designated HKATS Official may cancel any Order entered into HKATS during the Pre-Market Opening Period which in his opinion is a manifest error and which would disproportionately affect the Calculated Opening Price.

CHAPTER 5

CONTINGENCY PROCEDURES

5.1 Typhoon Signals and Black Rainstorm Warnings

Unless otherwise decided by the Exchange, the trading arrangements upon the approach and the retreat of Typhoons and/or the issuance and cancellation of Black Rainstorm Warnings shall be as follows:

<u>(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</u>	
<u>(i) If a Typhoon Signal no. 8 or above is hoisted at any time prior to 9:00 a.m.:</u>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>Commencement of trading will take place^(Note):</u> <ul style="list-style-type: none"> - <u>at 9:00 a.m. if the Signal is lowered at or before 7:00 a.m.;</u> - <u>at 9:30 a.m. if the Signal is lowered at or before 7:30 a.m.;</u> - <u>at 10:00 a.m. if the Signal is lowered at or before 8:00 a.m.;</u> - <u>at 10:30 a.m. if the Signal is lowered at or before 8:30 a.m.;</u> - <u>at 11:00 a.m. if the Signal is lowered at or before 9:00 a.m.;</u> - <u>at 11:30 a.m. if the Signal is lowered at or before 9:30 a.m.;</u> - <u>at 12:00 noon if the Signal is lowered at or before 10:00 a.m.;</u> - <u>at 12:30 p.m. if the Signal is lowered at or before 10:30 a.m.;</u> - <u>at 1:00 p.m. if the Signal is lowered at or before 11:00 a.m.;</u> - <u>at 1:30 p.m. if the Signal is lowered at or before 11:30 a.m.;</u> - <u>at 2:00 p.m. if the Signal is lowered at or before 12:00 noon.</u> - <u>There will be no trading for the day if the Signal is lowered after 12:00 noon.</u>
<u>(ii) If a Typhoon Signal no. 8 or above is hoisted during the trading hours between 9:00 a.m. and 12:00 noon:</u>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>Trading will be terminated 15 minutes after the hoisting of the Signal.</u>

	<ul style="list-style-type: none"> - <u>Trading will resume from 2:00 p.m. if the Signal is lowered at or before 12:00 noon ^(Note).</u> - <u>There will be no trading in the afternoon if the Signal is lowered after 12:00 noon.</u>
<u>(iii) If a Typhoon Signal no. 8 or above is hoisted during the trading hours at or after 12:00 noon:</u>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>Trading will be terminated 15 minutes after the hoisting of the Signal and there will be no trading for the rest of the afternoon.</u>

<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</u>	
<u>(i) if a Typhoon Signal no. 8 or above is hoisted at any time prior to 9:00 a.m.:</u>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>Commencement of trading will take ^(Note) place:</u> <ul style="list-style-type: none"> - <u>at 9:00 a.m. if the Signal is lowered at or before 7:00 a.m.;</u> - <u>at 9:30 a.m. if the Signal is lowered at or before 7:30 a.m.;</u> - <u>at 10:00 a.m. if the Signal is lowered at or before 8:00 a.m.;</u> - <u>at 10:30 a.m. if the Signal is lowered at or before 8:30 a.m.;</u> or - <u>at 11:00 a.m. if the Signal is lowered at or before 9:00 a.m.</u> - <u>There will be no trading for the day if the Signal is lowered after 9:00 a.m.</u>
<u>(ii) If a Typhoon Signal no. 8 or above is hoisted during the trading hours between 9:00 a.m. and 12:00 noon:</u>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <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>

Note: In the event the Pre-Market Opening Period applies to any Currency Futures Contract, the Pre-Market Opening Period for that Currency Futures Contract will commence thirty (30) minutes before the indicated time of commencement or resumption of trading.

<u>(b) Trading arrangement for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning</u>	
<u>(i) If a Black Rainstorm Warning is issued at any time prior to 9:00 a.m.:</u>	<p>The position will be as follows:</p> <ul style="list-style-type: none"> - <u>Commencement of trading will take place (Note):</u> <ul style="list-style-type: none"> - <u>at 9:00 a.m. if the Warning is cancelled at or before 7:00 a.m.;</u> - <u>at 9:30 a.m. if the Warning is cancelled at or before 7:30 a.m.;</u> - <u>at 10:00 a.m. if the Warning is cancelled at or before 8:00 a.m.;</u> - <u>at 10:30 a.m. if the Warning is cancelled at or before 8:30 a.m.;</u> - <u>at 11:00 a.m. if the Warning is cancelled at or before 9:00 a.m.;</u> - <u>at 11:30 a.m. if the Warning is cancelled at or before 9:30 a.m.;</u> - <u>at 12:00 noon if the Warning is cancelled at or before 10:00 a.m.;</u> - <u>at 12:30 p.m. if the Warning is cancelled at or before 10:30 a.m.;</u> - <u>at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.;</u> - <u>at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or</u> - <u>at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon.</u> - <u>There will be no trading for the day if the Warning is cancelled after 12:00 noon.</u>
<u>(ii) If a Black Rainstorm Warning is issued during any trading hours:</u>	<u>Trading will continue as normal.</u>

Note: In the event the Pre-Market Opening Period applies to any Currency Futures Contract, the Pre-Market Opening Period for that Currency Futures Contract will commence thirty (30) minutes before the indicated time of commencement or resumption of trading.