

Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited

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
<u>Five-Year MOF T-Bond Futures</u>	<u>50</u>
EFN Futures	200
Gold Futures	100
Currency Futures	50
Currency Options	50
London Aluminium Mini Futures	50
London Zinc Mini Futures	50
London Copper Mini Futures	50
London Nickel Mini Futures	50
London Tin Mini Futures	50
London Lead Mini Futures	50

* 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
<i>Exchange trading fees</i>		
<u>Five-Year MOF T-Bond Futures</u>	<u>House/Client a/c</u> <u>MM a/c</u>	<u>RMB 5.00/Lot</u> <u>RMB 5.00/Lot</u> <u>or such lesser amount as</u> <u>the Exchange may from</u> <u>time to time agree with the</u> <u>relevant Exchange</u> <u>Participant</u>

REGULATIONS FOR TRADING BOND FUTURES CONTRACTS

INTERPRETATION

001 These Regulations may be cited as the Regulations for trading Bond Futures (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.

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

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

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

"Cash Settlement Value" the amount required to be paid by a Buyer on the Final Settlement Day in satisfaction of its settlement obligations, the calculation of which is specified in the Contract Specifications;

"Closing Quotation" the quotation established by the Clearing House at the end of a trading session for any Bond Futures Contract according to the applicable procedures as

	<u>prescribed by the Clearing House from time to time;</u>
<u>“Contract Month”</u>	<u>in respect of any Bond 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;</u>
<u>“Contract Size”</u>	<u>for any Bond Futures Contract, the size so designated in the applicable Contract Specifications;</u>
<u>“Contracted Price”</u>	<u>the price as specified in the Contract Specifications;</u>
<u>“Contracted Value”</u>	<u>the value as specified in the Contract Specifications;</u>
<u>“Final Settlement Day”</u>	<u>the day on which a Bond Futures Contract must be settled as specified in the Contract Specifications;</u>
<u>“Final Settlement Price”</u>	<u>the price as determined by the Clearing House pursuant to Regulation 012 or the Chief Executive pursuant to Regulation 013;</u>
<u>“Minimum Fluctuation”</u>	<u>the minimum allowable movement in the price of any Bond Futures Contract as specified in the Contract Specifications; and</u>
<u>“Seller”</u>	<u>an HKCC Participant registered as the seller of a Bond Futures Contract pursuant to the Clearing House Rules.</u>

APPLICABLE RULES AND REGULATIONS

003 Trading in Bond Futures Contracts shall be subject to and governed by the Rules and these Regulations.

CONTRACT SPECIFICATIONS

004 The terms and conditions for each Bond Futures Contract shall include, among other things:

- (a) Cash Settlement Value;
- (b) Commission Rate;
- (c) Contract Months;
- (d) Contract Size;
- (e) Contracted Price;
- (f) Contracted Value ;
- (g) Final Settlement Day;
- (h) Final Settlement Price;

- (i) Large Open Positions;
- (j) Last Trading Day;
- (k) Maximum Fluctuation;
- (l) Minimum Fluctuation;
- (m) Position Limits;
- (n) Price Quotation;
- (o) Settlement Currency
- (p) Settlement Method;
- (q) Trading Hours;
- (r) Trading Method; and
- (s) Underlying Bond.

005 Contract Specifications for Bond Futures Contracts may be changed from time to time by the Exchange 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

006 Bids and offers for Bond Futures Contracts shall be expressed in multiples of the Minimum Fluctuation. The Minimum Fluctuation shall be as prescribed in the Contract Specifications from time to time.

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

008 The Bond Futures Market shall be open for trading in Bond Futures Contracts on every Business Day subject to the Rules. Trading hours shall be as prescribed by the Board from time to time.

009 Subject to the Exchange Rules, trading in Bond 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.

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

FINAL SETTLEMENT PRICE

011 The Exchange shall, in conjunction with the Clearing House, announce the Final Settlement Price as soon as practicable after it has been determined.

012 Subject to Regulation 013, the Final Settlement Price of a Bond Futures Contract shall be a number determined by the Clearing House in accordance with the Contract Specifications.

013 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 prices of the underlying bond at the close of trading hours on the Last Trading Day, then the Chief Executive, after consultation with the Commission, may on his own or in conjunction with the Clearing House, take such steps as he deems appropriate to enable a Final Settlement Price to be determined.

CASH SETTLEMENT

014 Trading in Bond Futures Contracts 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 Cash Settlement Value and the Contracted Value of such Bond Futures Contracts.

015 (a) The obligations of the Buyer and the Seller under a Bond Futures Contract are as follows:-

(i) If the Contracted Value is less than the Cash Settlement Value, the Seller shall be liable to pay to the Clearing House the difference between that Contracted Value and the Cash Settlement Value.

(ii) If the Contracted Value is greater than the Cash Settlement Value, the Buyer shall be liable to pay to the Clearing House the difference between that Contracted Value and the Cash Settlement Value.

(b) The rights of the Buyer and the Seller under a Bond Futures Contract are as follows:-

(i) If the Contracted Value is less than the Cash Settlement Value, the Buyer shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Cash Settlement Value.

(ii) If the Contracted Value is greater than the Cash Settlement Value, the Seller shall be entitled to receive from the Clearing House the difference between that Contracted Value and the Cash Settlement Value.

016 The obligations and rights of the Buyer and the Seller shall be satisfied by cash settlement of an amount, in the Settlement Currency, by or with the Clearing House on the Final Settlement Day in accordance with the Clearing House Rules.

REGISTRATION

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

MARGIN AND VARIATION ADJUSTMENTS

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

COMMISSION AND LEVIES

- 019 (a) The rate of commission for each Bond Futures Contract shall be negotiable between an Exchange Participant and its Client.
- (b) Every Bond Futures Contract shall be subject to an Exchange Fee which shall become immediately payable to the Exchange upon registration of the Contract with the Clearing House. The Exchange Fee shall be paid to the Exchange through the Clearing House and shall be set by the Exchange Board from time to time.
- (c) All levies required to be paid pursuant to the Ordinance in consequence of trading in Bond 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.

POSITION LIMITS

- 020 (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 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 Rules 629(e) and 630(e), the Chief Executive may approve higher Position Limits for liquidity providers.

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

LARGE OPEN POSITIONS

021 (a) The Exchange 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 HKEX staff as required by the Rules and the applicable Procedures.

NON-COMPLIANCE

- 022 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.

LIQUIDITY PROVISION

- 023 Notwithstanding anything contained in the Rules, the Exchange may from time to time, in its absolute discretion, appoint Exchange Participants to provide liquidity for Bond Futures Contracts in the Bond Futures Market at any time and on such terms and subject to such conditions as the parties may agree. For the avoidance of doubt, the terms and conditions of any appointment, including the liquidity providing activities, the liquidity providing arrangements, the liquidity providing requirements, the Exchange Fee concessions and/or other incentives upon meeting the liquidity providing requirements, are subject to negotiation between the Exchange and the relevant Exchange Participant and may therefore vary between different appointments of different Exchange Participants.

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.

Contract Specifications
For
Five-Year Ministry of Finance Treasury Bond (“MOF T-Bond”) Futures

The following Contract Specifications shall apply to the Five-Year MOF T-Bond Futures Contract:

<u>Underlying Bond</u>	<u>Onshore Five-Year China Ministry of Finance Treasury Bonds with 3% coupon rate and annual coupon payment</u>
<u>Contract Size</u>	<u>RMB500,000</u>
<u>Contract Months</u>	<u>The two nearest quarter months (where 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>As a percentage of the Contract Size, quoted to 3 decimal places</u>
<u>Minimum Fluctuation</u>	<u>0.002 percent of the Contract Size, which is equivalent to RMB10</u>
<u>Maximum Fluctuation</u>	<u>As prescribed by the Exchange from time to time</u>
<u>Contracted Price</u>	<u>The price at which the Five-Year MOF T-Bond Futures Contract is registered by the Clearing House</u>
<u>Contracted Value</u>	<u>Contracted Price multiplied by Contract Size divided by 100 (e.g. (101.000 x RMB500,000) / 100)</u>
<u>Trading Hours (Hong Kong time)</u>	<u>9:00 a.m. - 12:00 noon (morning trading session) and 1:00 p.m. - 4:30 p.m. (afternoon trading session)</u> <u>There is no afternoon trading session 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</u>
<u>Trading Hours on Last Trading Day (Hong Kong time)</u>	<u>9:00 a.m. - 12:00 noon (morning trading session) and 1:00 p.m. - 4:30 p.m. (afternoon trading session)</u> <u>There is no afternoon trading session 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</u>
<u>Trading Method</u>	<u>The Exchange’s Automated Trading System (HKATS)</u>
<u>Position Limits</u>	<u>20,000 net contracts in all Contract Months combined, per Exchange Participant for the Exchange Participant’s own behalf;</u>

	<u>and</u>
	<u>20,000 net contracts in all Contract Months combined per Client</u>
<u>Large Open Positions</u>	<u>1,000 open contracts in any one Contract Month, per Exchange Participant for the Exchange Participant's own behalf; and</u>
	<u>1,000 open contracts in any one Contract Month per Client</u>
<u>Settlement Method</u>	<u>Cash settled contract for difference</u>
<u>Settlement Currency</u>	<u>RMB</u>
<u>Final Settlement Day</u>	<u>The second Hong Kong Business Day after the Last Trading Day</u>
<u>Last Trading Day</u>	<u>The second Friday of the Contract Month</u>
	<u>If it falls on a Hong Kong or Mainland China public holiday, the Last Trading Day will be the preceding Hong Kong Business Day which is also a business day in Mainland China</u>
<u>Final Settlement Price</u>	<u>The Final Settlement Price for Five-Year MOF T-Bond Futures Contracts shall be a number, rounded up to the nearest 3 decimal places if the figure in the fourth decimal place is 5 or above and rounded down to the nearest 3 decimal places if it is below 5, determined by the Clearing House and shall be the onshore Five-Year China MOF T-Bond basket reference price provided by China Central Depository & Clearing Co., Ltd. at approximately 6:00 p.m. on the Last Trading Day</u>
<u>Cash Settlement Value</u>	<u>Final Settlement Price multiplied by Contract Size divided by 100 (e.g. Final Settlement Price x (RMB500,000) / 100)</u>
<u>Trading Fee</u> <u>(per contract per side)</u>	<u>Exchange Fee</u> <u>RMB5.00</u>
	<u>The amount indicated above is subject to change from time to time</u>
<u>Levies</u> <u>(per contract per side)</u>	<u>Commission Levy and 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>

**TRADING PROCEDURES FOR BOND 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 Bond 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 BOND FUTURES CONTRACTS

2.1 Bond 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 Bond Futures Contracts through HKATS.

CHAPTER 3

DEALING FUNCTIONALITY

3.1 Order Entry

An Order in a Bond 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 Bond Futures Contract.

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

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

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

Notification of the resumption of trading in a suspended Bond 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 Bond Futures Contract.

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

3.3 Order Amendments and Cancellations

An Order in an Bond 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; and (ii) 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). Amendment in connection with price or an increase in size of a Valid Order is not allowed during the 30 minute period before the opening of a trading session (where the Pre-Market Opening Period is not applicable).

3.4 Execution of Standard Combinations

3.4.1 In the event an Order for a spread or strategy combination listed in the “Series/Combinations” window of HKATS (“standard combination”) involving Bond 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.

3.4.2 The ranking of Bait Orders shall be in accordance with the time the Bait Orders are generated. A Bait Order whose price is automatically adjusted according to the price movement and/or increase in quantity of the individual market series comprising the standard combination shall be treated as if the Bait Order were newly generated.

3.4.3 In the event an Order for a standard combination is executed separately as Bait Orders in the individual market series, each Bond 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.

3.4.4 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 Bond Futures Contracts comprising the standard combination. The matched standard combination will be recorded in HKATS as separate trades in the individual market series.

3.5 Pre-Market Opening

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

3.5.2 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.

3.5.3 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 3.3. 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.

3.5.4 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:

3.5.4.1 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;

- 3.5.4.2 The COP shall be the price at which the number of contracts matched would be maximized;
- 3.5.4.3 If more than one price satisfies the rule in procedure 3.5.4.2, 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;
- 3.5.4.4 If more than one price satisfies the rule in procedure 3.5.4.3, 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;
- 3.5.4.5 If more than one price satisfies the rule in procedure 3.5.4.4, (i) the COP in the case of the morning trading session shall be the price closest to the previous Closing Quotation (as defined in the Clearing House Rules) of the relevant Bond Futures Contract 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 Bond 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 3.5.4.5 shall be disregarded and the calculation of the COP shall proceed in accordance with the rule set forth in procedure 3.5.4.6;
- 3.5.4.6 If more than one price satisfies the rule in procedure 3.5.4.5, the COP shall be the highest of such prices.
- 3.5.5 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.
- 3.5.6 If no COP can be calculated according to procedure 3.5.4 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.

3.5.7 If no COP can be calculated according to procedure 3.5.4 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.

3.5.8 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.

3.6 *Creation, Execution and Deletion of Tailor-Made Combinations*

3.6.1 Exchange Participants can define and create a Tailor-Made Combination involving such Bond Futures Contracts and during such trading sessions as the Exchange may from time to time notify Exchange Participants using the tailor-made combination function of HKATS. Once created, a Tailor-Made Combination can be traded like a normal market series.

3.6.2 Exchange Participants shall ensure that the following criteria are satisfied when creating a Tailor-Made Combination:

- (i) the Tailor-Made Combination is one of the strategy combinations prescribed by the Exchange;
- (ii) the number of futures contract month (“legs”) comprising the strategy is within the range prescribed by the Exchange;
- (iii) the ratio between these legs is within the range prescribed by the Exchange;
- (iv) the contract sizes of these legs must be identical;
- (v) the Tailor-Made Combination is not at that time prescribed as a standard combination; and
- (vi) an active Order is submitted at the same time as the creation of the Tailor-Made Combination.

- 3.6.3 Tailor-Made Combinations created on a Business Day will not be carried forward to the next Business Day.
- 3.6.4 The executed price of a trade in a Tailor-Made Combination may not necessarily correspond with the prevailing market prices of the Bond Futures Contracts comprising the Tailor-Made Combination. The matched trade in the Tailor-Made Combination will be recorded in HKATS as separate trades in the individual market series.
- 3.6.5 The Exchange may from time to time prescribe a maximum number of Tailor-Made Combinations that can be listed on HKATS on a Business Day and a throughput rate for each HKATS connection to create Tailor-Made Combinations to protect the integrity of HKATS and to ensure the proper operation of the Markets.
- 3.6.6 The Exchange may at any time at its sole discretion limit the number of Tailor-Made Combinations an Exchange Participant may create on a Business Day by notice to the Exchange Participants.
- 3.6.7 The Exchange reserves the right to delete any Tailor-Made Combination listed on HKATS and cancel any Order for that Tailor-Made Combination at any time if:
- (i) the Tailor-Made Combination does not satisfy the criteria as prescribed in procedure 3.6.2;
 - (ii) there is no active Order for the Tailor-Made Combination;
 - (iii) the total number of Tailor-Made Combinations listed on HKATS exceeds the maximum number prescribed and notified to Exchange Participants by the Exchange from time to time;
 - (iv) the Tailor-Made Combination is created by an Exchange Participant which has exceeded the limit imposed on it under procedure 3.6.6; or
 - (v) the Exchange determines that the Tailor-Made Combination is inappropriate.
- 3.6.8 Any trade in a Tailor-Made Combination that is not created in accordance with the criteria as prescribed in procedure 3.6.2 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 Tailor-Made Combination trade is invalid on the Business Day during which the Tailor-Made Combination 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 Tailor-Made Combination trade from HKATS and the “deal file” of the clearing system as if the Tailor-Made Combination 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 Tailor-Made Combination trade.

CHAPTER 4

CONTINGENCY PROCEDURES

4.1 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:</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.; or</u> - <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 in the morning trading session if the Signal is lowered after 9:00 a.m.</u> - <u>Commencement of trading in the afternoon trading session will take place:</u> <ul style="list-style-type: none"> - <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.; or</u> - <u>at 2:00 p.m. if the Signal is lowered at or before 12:00 noon.</u>

	<p>- <u>There will be no trading for the day if the Signal is lowered after 12:00 noon.</u></p>
<p><u>(ii) If a Typhoon Signal no. 8 or above is hoisted during the morning trading session:</u></p>	<p><u>The position will be as follows:</u></p> <p>- <u>Trading will be terminated 15 minutes after the hoisting of the Signal.</u></p> <p>- <u>Commencement of trading in the afternoon trading session will take place:</u></p> <p>- <u>at 1:00 p.m. if the Signal is lowered at or before 11:00 a.m.;</u></p> <p>- <u>at 1:30 p.m. if the Signal is lowered at or before 11:30 a.m.; or</u></p> <p>- <u>at 2:00 p.m. if the Signal is lowered at or before 12:00 noon.</u></p> <p><u>There will be no trading for the rest of the day if the Signal is lowered after 12:00 noon.</u></p>
<p><u>(iii) If a Typhoon Signal no. 8 or above is hoisted after the end of the morning trading session but before the commencement of the afternoon trading session:</u></p>	<p><u>The position will be as follows:</u></p> <p>- <u>There will be no trading for the rest of the day.</u></p>
<p><u>(iv) If a Typhoon Signal no. 8 or above is hoisted during the afternoon trading session:</u></p>	<p><u>The position will be as follows:</u></p> <p>- <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, except that if Typhoon Signal no. 8 or above is hoisted at or after 3:45 p.m. but before 4:00 p.m., trading will be terminated at 4:15 p.m.</u></p>

<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>The position will be as follows:</p> <ul style="list-style-type: none"> - <u>Commencement of trading in the morning session will take place:</u> - <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.; or</u> - <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 morning session:</u>	<p>The position will be as follows:</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>

<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 follow:</p> <ul style="list-style-type: none"> - <u>Commencement of trading in the morning session will take place:</u> - <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>

	<ul style="list-style-type: none"> - <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.; or</u> - <u>at 11:00 a.m. if the Warning is cancelled at or before 9:00 a.m..</u> - <u>There will be no trading in the morning session if the Warning is cancelled after 9:00 a.m..</u> - <u>Commencement of trading in the afternoon session will take place:</u> <ul style="list-style-type: none"> - <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 in the afternoon session if the Warning is cancelled after 12:00 noon.</u>
<p><u>(ii) If a Black Rainstorm Warning is issued during the morning trading session or the afternoon trading session:</u></p>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>If there was trading before the issuance of the Warning, trading will continue as usual</u> - <u>If there was no trading before the issuance of the Warning, there will be no trading in the morning session.</u> - <u>Commencement of trading in the afternoon session will take place:</u> <ul style="list-style-type: none"> - <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>(iii) If a Black Rainstorm Warning is issued after the end of the morning trading session but before the commencement of the trading afternoon session:</u>	<p><u>The position will be as follows:</u></p> <ul style="list-style-type: none"> - <u>If there was trading in the morning trading session, trading in the afternoon session will take place.</u> - <u>If there was no trading in the morning trading session, there will be no trading for the rest of the day.</u>