

## 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 prescribed by the Clearing House from time to time;
"Contract Month"	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;
"Contract Size"	for any Bond Futures Contract, the size so designated in the applicable Contract Specifications;
"Contracted Price"	the price as specified in the Contract Specifications;
"Contracted Value"	the value as specified in the Contract Specifications;

“Final Settlement Day”	the day on which a Bond Futures Contract must be settled as specified in the Contract Specifications;
“Final Settlement Price”	the price as determined by the Clearing House pursuant to Regulation 012 or the Chief Executive pursuant to Regulation 013;
“Minimum Fluctuation”	the minimum allowable movement in the price of any Bond Futures Contract as specified in the Contract Specifications; and
“Seller”	an HKCC Participant registered as the seller of a Bond Futures Contract pursuant to the Clearing House Rules.

### **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 Trading 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.