

CHAPTER IIIA

FUTURES EXCHANGE TRADING RIGHTS

Compliance with Rules

3A01. These Rules contain provisions affecting holders of Futures Exchange Trading Rights. A Futures Exchange Trading Right is conferred subject to the rights and obligations provided in these Rules and any rules, regulations, procedures or guidelines made hereunder, and any amendments thereto from time to time.

Futures Exchange Trading Right to be Pre-requisite to Admission as Exchange Participant

3A02. In accordance with the provisions of Rule 306(d), no person shall become an Exchange Participant unless he is a holder of a Futures Exchange Trading Right.

3A03. Futures Exchange Trading Rights may be conferred by the Board on such terms and conditions as it may determine from time to time.

Application for the issue of a Futures Exchange Trading Right

3A03A. (a) Every new applicant for a Futures Exchange Trading Right shall complete, sign and deliver to the Exchange an application in writing in such form as the Board may from time to time prescribe. The Exchange may prescribe different forms for different applicants.

(b) In applying for a Futures Exchange Trading Right, every person shall follow the procedures from time to time prescribed by the Board.

(c) Without prejudice to Rules 3A03A(a) and (b), the Board may invite members of any exchanges or organizations to apply (either by the member itself or by a company within the same group of companies of the member and designated by the member to make the application) for Futures Exchange Trading Rights and for Exchange Participantship in accordance with these Rules. The Board has absolute discretion to determine the eligibility of such applicants and the period within which the applications are required to be made except that an applicant must be duly licensed as a licensed corporation to carry on Type 2 regulated activity under the Ordinance.

3A03B. (a) The Board shall decide on each application.

(b) (deleted)

- (c) The decision as to whether or not an applicant should be issued a Futures Exchange Trading Right is entirely in the discretion of the Board whose decision shall be final and conclusive.

Approval

- 3A03C. (a) Every applicant shall be informed by notice in writing as soon as possible after the relevant decision as to whether its application is approved or refused.
- (b) Any notice of approval issued pursuant to this Rule may be subject to such conditions as the Board thinks fit.

Conditions

- 3A03D. An applicant approved pursuant to Rule 3A03C shall not be issued a Futures Exchange Trading Right unless and until it shall have satisfied all of the following conditions:
 - (a) paid in full all fees (including the fee for the Futures Exchange Trading Right) from time to time prescribed by the Board;
 - (b) irrespective of any special conditions imposed by the Board, simultaneously upon the issue of a Futures Exchange Trading Right become an Exchange Participant if not already an Exchange Participant; and
 - (c) complied with any other conditions specified in the notice of approval.
- 3A03E. The conditions in Rule 3A03D must be satisfied within the time specified in the notice of approval. If the conditions are not so satisfied, and the period for satisfaction is not extended by the Board, the approval in question will lapse and the application will be deemed to have been refused.

Holding of Futures Exchange Trading Rights

- 3A04. A Futures Exchange Trading Right may not be held jointly.
- 3A05. A person may hold more than one Futures Exchange Trading Right.
- 3A06. Each holder of Futures Exchange Trading Right(s) shall be liable to pay to the Exchange such monthly subscription fees or other charges as may be determined by the Board from time to time.

Register of holders of Futures Exchange Trading Rights

- 3A07. The Exchange shall establish a register of holders of Futures Exchange Trading Rights and enter therein the following particulars:

- (a) the names and addresses, and the occupations or descriptions, of the holders and distinguishing each right by its number so long as the right has a number;
- (b) the date on which each person was entered in the register as a holder;
- (c) the date on which any person ceased to be a holder; and
- (d) (deleted)
- (e) such other details as may be determined by the Board from time to time.

3A08. The register may be kept by the use of any method or means, mechanical or electric, electronic or otherwise.

Futures Exchange Trading Right Certificate

- 3A09. (a) Subject to Rule 3A09(b), each holder of Futures Exchange Trading Right(s) will be issued an Exchange Trading Right certificate in respect of each Futures Exchange Trading Right held by it which shall be prima facie evidence of the entry of his or its name in the register of holders of Futures Exchange Trading Rights kept by the Exchange.
- (b) No Exchange Trading Right certificate in respect of Futures Exchange Trading Right will be issued to a holder of Futures Exchange Trading Right from the tenth anniversary of the Scheme Effective Date. Where an Exchange Trading Right certificate issued prior to the tenth anniversary of the Scheme Effective Date is defaced, lost or destroyed, no new certificate will be issued irrespective of the circumstances of the defacing, loss or destruction.

3A10. (deleted)

No Charge of Futures Exchange Trading Rights

3A11. No holder of Futures Exchange Trading Right(s) shall sell, transfer, pledge, mortgage or create any trust, charge, lien or any other encumbrance over the Futures Exchange Trading Right(s) it holds, nor assign any of its rights, benefits or privileges as a holder of Futures Exchange Trading Right(s) otherwise than in accordance with these Rules. The Exchange shall not be bound or compelled in any way to recognise (even when having notice thereof) any dealing or disposition made in contravention of this Rule.

No Transfer of Futures Exchange Trading Right

3A12. (a) With effect from the tenth anniversary of the Scheme Effective Date,

Futures Exchange Trading Rights which were granted under the Futures Exchange Scheme are not transferable. For purposes of this Rule 3A12(a), the following will not be transfers:

- (A) the transmission of a Futures Exchange Trading Right to a person in consequence of the death of its recorded holder;
- (B) the assignment of a Futures Exchange Trading Right from an individual to a company of which he is the sole beneficial owner; and
- (C) a liquidator, receiver or trustee in bankruptcy taking possession of a Futures Exchange Trading Right in such capacity.

For the avoidance of doubt, the person and the company to whom a Futures Exchange Trading Right is transmitted or assigned and the liquidator, receiver or trustee in bankruptcy taking possession of a Futures Exchange Trading Right shall be bound by these Rules, the Regulations and the Procedures as if he or it were the recorded holder.

- (b) Futures Exchange Trading Rights which were not granted under the Futures Exchange Scheme shall not be transferable.

3A13. (deleted)

Fragmentation of Futures Exchange Trading Rights

3A14. A Futures Exchange Trading Right cannot be fragmented into separate rights for different products unless so authorised by the Exchange.

Revocation of Futures Exchange Trading Rights

- 3A15. (a) If the rights of an Exchange Participant are revoked for any reason, the Exchange may, with effect from the date of revocation of Exchange Participantship, revoke any Futures Exchange Trading Right of the Exchange Participant. Upon revocation, the name of the Exchange Participant shall be removed from the register of holders of Futures Exchange Trading Rights. The Exchange shall not, by virtue of anything done under this Rule 3A15(a), be deemed to have assumed or acquired any obligation attaching to the Futures Exchange Trading Right(s) of the Exchange Participant and the Exchange Participant shall have no claim against the Exchange whatsoever.
- (b) In the event that the rights of an Exchange Participant and any Futures Exchange Trading Right of the Exchange Participant are revoked as referred to in Rule 3A15(a), the Exchange Participant shall remain liable for all legal and other incidental costs or disbursements incurred by the Exchange in connection with the revocation and any sums

owing by the Exchange Participant (whether in its capacity as an Exchange Participant, a holder of Futures Exchange Trading Right(s) or in any other capacity) to the Exchange, a recognized exchange controller which is the controller of the Exchange and any company of which a recognized exchange controller which is the controller of the Exchange is a controller.

Relinquishment of Futures Exchange Trading Rights

- 3A16. (a) A holder of Futures Exchange Trading Right(s) may, without affecting existing rights or obligations which have accrued and subject to these Rules, at any time relinquish its Futures Exchange Trading Right(s) without penalty or compensation whereupon its name shall be removed from the register of holders of Futures Exchange Trading Rights.
- (b) (deleted)
- (c) Notwithstanding Rule 3A16(a), the holder of Futures Exchange Trading Right whose tender has been selected under a Tender Process shall relinquish its Futures Exchange Trading Right within six months from the date of the notice of acceptance of the tender issued by the Exchange and in accordance with the procedures as from time to time determined by the Exchange. Any payment due to the holder of Futures Exchange Trading Right will be made by the Exchange as soon as practicable after he or it has relinquished his or its Futures Exchange Trading Right.
- (d) The holder of the Futures Exchange Trading Right shall be deemed to relinquish his or its Futures Exchange Trading Right at the expiry of six months under Rule 3A16(c) and whereupon the holder of the Futures Exchange Trading Right shall be removed from the register of holders of Futures Exchange Trading Rights.
- 3A16A. (a) Notwithstanding Rule 3A16, a corporate holder of a Futures Exchange Trading Right which intends to re-organize its business of dealing in futures contracts by having that business being conducted under one single entity together with that of the business of dealing in securities or any similar re-organization may, at any time and subject to such conditions from time to time prescribed by the Exchange, apply to relinquish its Futures Exchange Trading Right to such entity which shall be a company within its own group of companies.
- (b) For the purposes of Rule 3A16A(a), the holder of the Futures Exchange Trading Right shall complete, sign and deliver to the Exchange an application in writing in such form as the Board may from time to time prescribe to relinquish its Futures Exchange Trading Right and to nominate a company within its own group of companies to take up a new Futures Exchange Trading Right to be issued by the

Exchange if its application to relinquish its Futures Exchange Trading Right under Rule 3A16A(a) is approved by the Board. The company so nominated by the holder of the Futures Exchange Trading Right shall simultaneously apply to become an Exchange Participant (if it is not already an Exchange Participant) in accordance with these Rules. Upon the issue of a Futures Exchange Trading Right to the company so nominated, it shall simultaneously become an Exchange Participant.

- (c) The Board may, if it approves the application of the holder of the Futures Exchange Trading Right to relinquish the Futures Exchange Trading Right and the application of the company nominated to take up the Futures Exchange Trading Right to become an Exchange Participant, issue a new Futures Exchange Trading Right to the company nominated subject to the payment in full of all the fees and charges from time to time prescribed by the Board in relation to the relinquishment and issue of the Futures Exchange Trading Right and to the compliance of all conditions prescribed by the Board in relation to such applications.
- (d) The holder of the Futures Exchange Trading Right shall be deemed to relinquish its Futures Exchange Trading Right when the new Futures Exchange Trading Right is issued to the company so nominated and whereupon its name shall be removed from the register of holders of Futures Exchange Trading Rights.
- (e) The decision of the Board in respect of an application to relinquish a Futures Exchange Trading Right under Rule 3A16A shall be final and conclusive.

3A17. No holder of Futures Exchange Trading Right(s) may relinquish its Futures Exchange Trading Right(s) except with the prior written approval of the Board which may be given subject to any conditions the Board thinks fit. Pending such approval, these Rules shall continue to bind any holder of Futures Exchange Trading Right(s) which has given notice of relinquishment as if such notice had not been given and the jurisdiction of the Exchange over that holder of Futures Exchange Trading Right(s), its business, affairs and employees shall be in no way affected by such notice.

3A18. Without prejudice to the right of the Board to impose any conditions as it thinks fit, the Board shall not give approval for relinquishment of a Futures Exchange Trading Right unless it is satisfied that the holder has discharged all claims and obligations that have accrued prior to the date at which it proposes to relinquish its Futures Exchange Trading Right.

Disciplinary Action against holders of Futures Exchange Trading Rights

3A19. A holder of a Futures Exchange Trading Right who in any manner contravenes these Rules, the Regulations, the Procedures, any conditions imposed on the

approval of issue or transfer of a Futures Exchange Trading Right or any other requirements imposed on a holder of a Futures Exchange Trading Right in its capacity as a holder of a Futures Exchange Trading Right may be liable to disciplinary proceedings. The procedures regarding disciplinary proceedings against Exchange Participants set forth in Chapter 7 of these Rules shall mutatis mutandis apply to disciplinary proceedings that may be instituted against a holder of a Futures Exchange Trading Right.

3A20. The following disciplinary powers may be exercised against a holder of a Futures Exchange Trading Right:

- (a) revocation of its Futures Exchange Trading Right;
- (b) suspension in full or in part of the rights of the holder of a Futures Exchange Trading Right;
- (c) issuance of a reprimand;
- (d) issuance of a public censure;
- (e) imposition of a fine;
- (f) imposition of interest or penalty for late payment of fees;
- (g) issuance of a warning including, as appropriate, a requirement that certain actions be taken within the period specified in the warning and specifying the sanction (including a fine, suspension or revocation) in the event that such actions are not taken within the specified period;
- (h) imposition of any other restriction or condition on the rights of the holder of a Futures Exchange Trading Right;
- (i) (deleted)
- (j) revocation of its Futures Exchange Trading Right as set forth in Rule 3A15; and
- (k) requirement for rectification or other remedial action or restitutionary measures to be taken within a stipulated period.

3A21. A holder of a Futures Exchange Trading Right shall remain bound by these Rules, the Regulations and the Procedures notwithstanding any disciplinary proceedings being instituted against it, any prohibitions, restrictions, conditions or other disciplinary sanctions being imposed upon it or any of its rights being suspended.

3A22. The Exchange, a recognized exchange controller which is the controller of the Exchange, their officers, directors, employees, agents or representatives or any

other person or entity associated with them shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a holder of a Futures Exchange Trading Right may suffer or incur, whether directly or indirectly (including any loss of profit or any damage to reputation) by reason of any disciplinary proceedings instituted or disciplinary measures taken pursuant to these Rules.