

TRADING PROCEDURES FOR METAL 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 Metal 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 METAL FUTURES CONTRACTS

2.1 Metal 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 Metal Futures Contracts through HKATS.

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

To be approved to trade Physically Settled Metal Futures Contracts, an Exchange Participant shall either (a) be a Clearing Participant who is entitled to record, register and clear Contracts in Physically Settled Metal Futures Contracts under the Clearing House Rules, or (b) have entered into a Clearing Agreement with a General Clearing Participant who is entitled to record, register and clear Contracts in Physically Settled Metal Futures Contracts under the Clearing House Rules.

2.2 Training Required for Registration as an HKATS Exchange Participant Representative for Metal Futures Contracts

The Exchange offers the training course “HKATS Rules & Procedures” for persons applying to become registered as HKATS Exchange Participant Representatives for Metal Futures Contracts.

CHAPTER 3

DEALING FUNCTIONALITY

3.1 *Order Entry*

An Order in a Metal 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 Metal 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 Metal Futures Contract will be canceled upon the suspension of trading in that Metal Futures Contract.

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

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

An Order automatically canceled due to the suspension of trading in a Metal Futures Contract may be re-entered into HKATS upon the resumption of trading in that Metal 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 a Metal 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 Metal 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 Metal 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 Metal 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 *(deleted)*

3.6 (deleted)

3.7 *Pre-Market Opening*

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

3.7.2 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.

3.7.3 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 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.

3.7.4 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:

3.7.4.1 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;

3.7.4.2 The COP shall be the price at which the number of contracts matched would be maximized;

3.7.4.3 If more than one price satisfies the rule in procedure 3.7.4.2, 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;

3.7.4.4 If more than one price satisfies the rule in procedure 3.7.4.3, 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;

3.7.4.5 If more than one price satisfies the rule in procedure 3.7.4.4, (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 Metal 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 Metal 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 3.7.4.5 shall be disregarded and the calculation of the COP shall proceed in accordance with the rule set forth in procedure 3.7.4.6;

3.7.4.6 If more than one price satisfies the rule in procedure 3.7.4.5, the COP shall be the highest of such prices.

3.7.5 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.

3.7.6 If no COP can be calculated according to procedure 3.7.4 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.

3.7.7 If no COP can be calculated according to procedure 3.7.4 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.

3.7.8 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.

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

3.8.1 Exchange Participants can define and create a Tailor-Made Combination involving such Metal 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.

3.8.2 Exchange Participants shall ensure that the following criteria are satisfied

when creating a Tailor-Made Combination:

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

3.8.3 Tailor-Made Combinations created on a Trading Day will not be carried forward to the next Trading Day.

3.8.4 The executed price of a trade in a Tailor-Made Combination may not necessarily correspond with the prevailing market prices of the Metal 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.

3.8.5 The Exchange may from time to time prescribe a maximum number of Tailor-Made Combinations that can be listed on HKATS on a Trading 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.

3.8.6 The Exchange may at any time at its sole discretion limit the number of Tailor-Made Combinations an Exchange Participant may create on a Trading Day by notice to the Exchange Participant.

3.8.7 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 3.8.2;
- (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 3.8.6; or
- (v) the Exchange determines that the Tailor-Made Combination is inappropriate.

3.8.8 Any trade in a Tailor-Made Combination that is not created in accordance with the criteria as prescribed in procedure 3.8.2 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 Trading 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

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