
CHAPTER 37**DEFAULT RULES - CNS SYSTEM****3701. Events of Default**

In the event that:-

- (i) a Clearing Participant or Clearing Agency Participant fails duly to perform or is, in the opinion of HKSCC, in material breach of any provision of the Rules or of any agreement, understanding or arrangement which the Clearing Participant or Clearing Agency Participant has from time to time entered into with HKSCC;
- (ii) a Clearing Participant which is an Exchange Participant is in breach of the terms of its Exchange Participantship or the rules of any market or is suspended or expelled from Exchange Participantship or ceases to be an Exchange Participant or a SEOCH Participant ;
- (iii) a Clearing Participant ceases to be a licensed corporation licensed or a registered institution registered to carry on Type 1 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or fails to comply with the rules and regulations applicable to such licensed corporation or registered institution;
- (iiia) failure by a GCP which is a registered institution under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to demonstrate to the satisfaction of HKSCC its capability to manage the portfolio of a defaulting NCCCP for which it clears. Such capability might include, for example, having a valid, binding and effective Clearing Agreement with more than one NCCCP for which it provides clearing services which permits such GCP to close out positions of the NCCCP in the event of a default by such NCCCP under the Exchange Rules;
- (iv) a Clearing Participant or Clearing Agency Participant defaults in payment of any sum payable to HKSCC; or, in respect of a Clearing Participant which is also a participant or member of any clearing and settlement system operated by HKEX or its affiliates:
 - (a) it fails to meet any obligation owed by it to the central counterparty or operator of such system; or
 - (b) it breaches the rules or terms of participation or membership of such system; or
 - (c) a declaration of default by, or suspension or expulsion from participation or membership of such system by the central counterparty occurs;
- (v) a Clearing Participant or Clearing Agency Participant fails to pay when due any sum due and payable, or is otherwise in default under the terms of any agreement or threatens or proposes to suspend payment or to default under the terms of any agreement;

- (vi) in respect of a Clearing Participant or Clearing Agency Participant, a bankruptcy or winding-up petition is presented, or a notice of a proposal for a resolution for its winding-up is given, or a voluntary arrangement is approved by the court for the benefit of creditors, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (vii) in respect of a Clearing Participant or Clearing Agency Participant, a receiver, manager or administrative receiver is appointed or a composition or scheme of arrangement is approved by the court, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (viii) an assignment or composition is made by a Clearing Participant or Clearing Agency Participant for the benefit of its creditors or any of them, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (ix) in respect of a Clearing Participant or Clearing Agency Participant, a resolution is passed for its winding-up (save for the purpose of amalgamation or reconstruction) or a bankruptcy or winding-up order is made, or if HKSCC considers in its absolute discretion that the occurrence of such events are imminent or likely;
- (x) a Clearing Agency Participant, in its capacity as a China Connect Clearing House under a Clearing Link, defaults in any delivery or payment obligations to HKSCC under the Clearing Link;
- (xi) any distress, execution or other process is levied or enforced or served upon or against any property of a Clearing Participant or Clearing Agency Participant;
- (xii) in respect of a Clearing Agency Participant that is a “recognized clearing house” under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as the term is defined therein, if it ceases to be so recognized;
- (xiiia) HKSCC becomes aware of circumstances affecting a client, associate or affiliate of a Clearing Participant which might, in the opinion of HKSCC, result in that Clearing Participant being unable to meet any of its obligations under the Rules or any Market Contract to which it is a party; or
- (xiiib) HKSCC considers it necessary or desirable to take action under this Rule for its own protection or the protection of other Participants;

then on the occurrence of any one or more of such events (each an "Event of Default"), in its absolute discretion, HKSCC shall be entitled then or at any time thereafter whilst such event is, in the opinion of HKSCC, continuing unremedied, to take any one or more of the actions referred to in Rule 3702.

In the case of a China Connect Clearing Participant clearing China Connect Securities Trades for one or more China Connect Markets, if an Event of Default occurs in connection with the clearing and settlement obligations of such China Connect Clearing Participant in respect of

any Eligible Securities (including but not limited to China Connect Securities), HKSCC shall be entitled to take any one or more actions referred to in Rule 3702 in respect of all of the unsettled Market Contracts to which such China Connect Clearing Participant is a party, all of the Marks, Margin, Collateral, Collateral Security, Specific Cash Collateral, Charged Property, Mainland Settlement Deposit, Mainland Security Deposit and all other security furnished by such China Connect Clearing Participant, to discharge and satisfy all obligations and liabilities of such China Connect Clearing Participant to HKSCC, whether in respect of a China Connect Market or otherwise.

In the case of a Clearing Agency Participant which is a China Connect Clearing House, if an Event of Default occurs in connection with the clearing and settlement obligations of such Clearing Agency Participant in respect of any of its designated Special Participants, HKSCC shall be entitled to take any one or more of the actions referred to in Rule 3702 in respect of all of the unsettled Market Contracts to which such Clearing Agency Participant is a party, all of the Marks, Margin, Collateral, Collateral Security, Specific Cash Collateral, Charged Property and other security furnished by such Clearing Agency Participant and all of the Stock Clearing Accounts allocated to the Clearing Agency Participant in respect of all of its designated Special Participants, to discharge and satisfy all obligations and liabilities of such Clearing Agency Participant to HKSCC in respect of all of its Special Participants.

The default provisions applicable to a TSF CCASS Participants as set out in Rule 12A17 are in addition to the above provisions. The event of default included in that Rule shall be incorporated in this Rule as an Event of Default.

3702. Actions on default

Without prejudice to any other provision of the Rules, the actions which HKSCC may take as referred to in Rule 3701 are:-

- (i) to effect Closing-out Contracts in accordance with Rule 3607 and Rule 4107(x);
- (ii) to sell or apply Marks, Margin, Mainland Settlement Deposit, Mainland Security Deposit, Collateral, Specific Cash Collateral, Charged Property (including, but not limited to, Derived Assets credited to the Entitlement Account of a defaulting Clearing Participant or Clearing Agency Participant), any Eligible Securities held by HKSCC (irrespective of whether they are held in lieu of Marks, Margin and/or Collateral, or for HKSCC's waiver in computation of Marks and reduction of Margining Position for computation of Margin) and any security furnished by a defaulting Clearing Participant or Clearing Agency Participant, without further reference to the Clearing Participant or Clearing Agency Participant and to execute all such documents and take all such action as may be necessary in connection therewith, if appropriate, on behalf of the Clearing Participant or Clearing Agency Participant;
- (iii) to exercise its rights of set-off pursuant to Rules 1207 and 12A15;
- (iv) to take any other action or measure open to HKSCC under the Rules;

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- (v) to debit Eligible Securities from the Stock Clearing Account of a defaulting Clearing Participant or Clearing Agency Participant without further reference to the Clearing Participant or Clearing Agency Participant;
 - (vi) to exercise all rights attaching to the Charged Property, including, but not limited to voting rights; and
 - (via) [Repealed]
 - (vii) to take such other action as it deems necessary or desirable for the protection of HKSCC with respect to Market Contracts to which a defaulting Clearing Participant or Clearing Agency Participant is a party, at the Clearing Participant's or Clearing Agency Participant's expense and if appropriate, in its name.

In the event that HKSCC takes one or more steps referred to in this Rule against a Clearing Participant or Clearing Agency Participant, HKSCC may declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

In the event that HKSCC takes any action under sub-paragraphs (i) and (ii) of this Rule 3702 against a Clearing Participant or Clearing Agency Participant, HKSCC shall declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

On the occurrence of an event set out in sub-paragraph (ix) of Rule 3701, HKSCC shall declare the Clearing Participant or Clearing Agency Participant to be a "Defaulter".

Except as otherwise provided in the Rules, HKSCC shall not be obliged to take any step referred to in this Rule and shall not be liable to any person for not taking any such step or for any delay in taking any such step.

In the event that HKSCC sells or otherwise disposes of or realizes the Charged Property (whether by public offer or private contract) to any person, it may do so for such consideration and on such terms as HKSCC in its absolute discretion may think fit.

HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not in any circumstances be liable to the Participant or any other person for any losses, damages or expenses arising from any realization of the Charged Property or from any exercise or non-exercise by HKSCC of any rights in relation to the Charged Property except where HKSCC is guilty of anything not done or not omitted to be done in good faith on its part and is directly responsible for the losses.

The actions that HKSCC may take upon the default of a TSF CCASS Participant as set out in Rule 12A17 are in addition to the above.

3702A. Confidentiality Obligation

- (i) Each Clearing Participant agrees and undertakes that, in consideration of it being provided with Default Information (in such capacity a "**Receiving Clearing**

Participant”) it shall: (i) keep the Default Information strictly confidential and secure; (ii) only use the Default Information for the Permitted Purpose; and (iii) only disclose the Default Information to its employees, officers, representatives, advisers or Receiving Clearing Participant Affiliates for the Permitted Purpose (and to that extent only) and on a strict need to know basis.

- (ii) Upon demand by HKSCC and to the extent reasonably practicable, and in any event upon conclusion of the actions set out in Rules 3607, 3702 and 4107, the Receiving Clearing Participant shall promptly return to HKSCC all or any part of the Default Information in its possession or the possession of any of its employees, officers, representatives, advisers or Receiving Clearing Participant Affiliates in whatever form it may be by a secure method or destroy or procure the destruction of any copies or reproductions of any material, paper, programme or record incorporating the Default Information including the destruction or expungement thereof from any memory device or medium, provided that the Receiving Clearing Participant may retain copies of any Default Information as required by law. Upon demand by HKSCC, the Receiving Clearing Participant shall provide to HKSCC a written confirmation that it has fully complied with the foregoing.
- (iii) Each Receiving Clearing Participant shall establish adequate procedures and mechanisms to ensure that the Default Information is, at all times, solely used for the Permitted Purpose by it and any of its employees, officers, representatives, advisers or Receiving Clearing Participant Affiliates.
- (iv) Nothing in these Rules shall prohibit disclosure or use of the Default Information if and to the extent: (i) it becomes publicly available other than as a result of a breach of these Rules by the Receiving Clearing Participant; (ii) the Receiving Clearing Participant is required to do so by order of a court of competent jurisdiction which arises as a result of the application of a third party; (iii) the Receiving Clearing Participant is required or requested to do so by any governmental authority which exercises a regulatory or supervisory function over the Receiving Clearing Participant; or (iv) HKSCC has given prior written approval to the disclosure.

3703. Declaration as Defaulter

A Clearing Participant or Clearing Agency Participant declared to be a Defaulter shall, unless otherwise decided by HKSCC, thereupon cease to be a Participant but shall nevertheless be bound to take or refrain from taking all such action and suffer all such things to be done under the Rules in the case of a Defaulter and shall continue to be bound by the Rules in relation to all matters, transactions and circumstances arising whilst it was a Participant.

3704. Certification of net sum due

Upon conclusion of the steps taken by HKSCC against a Defaulter as are permitted under the Rules, HKSCC shall certify the net sum payable by or to the Defaulter in respect of its rights and obligations arising under the Rules. The Defaulter shall pay any net amount so payable by it to HKSCC forthwith and vice versa.

3705. HKSCC Failure to Pay Event

- (i) For the purposes of this Rule, references to “Market Contract” mean a Market Contract other than a contract between HKSCC and a China Connect Clearing Participant arising as a result of the Novation of a China Connect Securities Trade to be settled under the CNS System.

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- (ii) Notwithstanding Rule 3307, if HKSCC fails to make, when due, any payment to a Clearing Participant and Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) under a Market Contract, the relevant Clearing Participant or Clearing Agency Participant may provide written notification (the “Failure to Pay Notice”) to HKSCC formally informing HKSCC of such failure pursuant to this Rule 3705.

An “HKSCC Failure to Pay Event” shall be deemed to occur if after the receipt of the Failure to Pay Notice by HKSCC, HKSCC has not made all relevant payments to the Clearing Participant or Clearing Agency Participant by the end of the relevant HKSCC Failure to Pay Grace Period, provided that no HKSCC Failure to Pay Event shall occur if (1) such failure to pay arises as a result of technical or administrative reasons beyond the control of HKSCC; or (2) during the HKSCC Failure to Pay Grace Period, HKSCC has exercised its powers under Rules 3705(iii)(1) and/or 3705(iii)(2). The exercise by HKSCC of its rights pursuant to either a Clearing Service Termination Event or contract termination pursuant to Rule 3709 shall not constitute an HKSCC Failure to Pay Event. During the HKSCC Failure to Pay Grace Period, the relevant Clearing Participant or Clearing Agency Participant shall continue to be obliged to pay when due all amounts required by HKSCC in accordance with the Rules and the Operational Procedures and shall satisfy in full all its other obligations under the Rules and the Operational Procedures.

- (iii) During the HKSCC Failure to Pay Grace Period, HKSCC may take the following action or actions:

(1) designate an Early Termination Date in respect of all the Market Contracts of the relevant Clearing Participant or Clearing Agency Participant (each a “Relevant CP Contract”) by delivering a notice to the relevant Clearing Participant or Clearing Agency Participant whereupon all the Relevant CP Contracts shall be novated with effect from the day that falls on the second Business Day following the date of delivery of such notice by HKSCC. Upon the delivery of such notice, the relevant Clearing Participant or Clearing Agency Participant agrees that HKSCC shall novate all the Relevant CP Contracts on the designated Early Termination Date by terminating such Relevant CP Contracts and registering in the name of any other Clearing Participant or Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) Market Contracts on substantially similar terms as any Relevant CP Contract with the agreement of such other Clearing Participant or Clearing Agency Participant, and the provisions as set out in Rules 3707 to 3708 shall apply; or

(2) declare and notify all Clearing Participants and Clearing Agency Participants of the occurrence of a Clearing Service Termination Event pursuant to the terms set out in Rule 4301, whether or not HKSCC has, prior to such declaration of Clearing Service Termination Event, exercised its power pursuant to subparagraph (1) above. Upon the occurrence of a Clearing Service Termination Event, the clearing and settlement services in relation to Market Contracts, including the Relevant CP Contracts, will be wound down in accordance with Rules 4301 to 4302.

- (iv) Upon the occurrence of an HKSCC Failure to Pay Event, if HKSCC has not taken any action under Rule 3705(iii)(1) or Rule 3705(iii)(2) above, the relevant Clearing Participant or Clearing Agency Participant may terminate and liquidate all the Relevant CP Contracts by delivering a notice to HKSCC. In the event that the relevant Clearing Participant or Clearing Agency Participant delivers a notice to HKSCC to terminate all the Relevant CP Contracts pursuant to this Rule 3705, HKSCC shall:

(1) terminate all the Relevant CP Contracts on the day that falls on the second

Business Day following the date of delivery of such notice by the relevant Clearing Participant or Clearing Agency Participant (such day being the “Early Termination Date” for the purpose of this Rule 3705) by registering in the name of any other Clearing Participant or Clearing Agency Participant (other than a defaulting Clearing Participant or Clearing Agency Participant) one or more Market Contracts on substantially similar terms as any Relevant CP Contract with the agreement of such other Clearing Participant or Clearing Agency Participant on the Early Termination Date and Rules 3707 to 3708 shall apply; or

- (2) declare and notify all Clearing Participants and Clearing Agency Participants of the occurrence of a Clearing Service Termination Event, upon which the clearing and settlement services in relation to Market Contracts, including the Relevant CP Contracts, will be wound down in accordance with Rules 4301 to 4302.

3706. HKSCC Insolvency Event

For the purposes of this Rule, references to “Market Contract” mean a Market Contract other than a contract between HKSCC and a China Connect Clearing Participant arising as a result of the Novation of a China Connect Securities Trade to be settled under the CNS System.

An “HKSCC Insolvency Event” shall occur if HKSCC voluntarily commences a procedure seeking or proposing liquidation, administration, receivership, judicial management or a scheme of arrangement, or other similar relief with respect to itself or its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing case or procedure (other than one that is frivolous or vexatious in nature) is commenced in relation to HKSCC by any other person and either:

- (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the winding-up or liquidation of HKSCC; or
- (ii) such case or procedure is not dismissed, discharged, stayed or restrained in each case within 21 Business Days of the institution or presentation thereof.

Upon the occurrence of an HKSCC Insolvency Event, a non-defaulting Clearing Participant or Clearing Agency Participant may by written notice to HKSCC, declare the HKSCC Insolvency Event and designate an Early Termination Date for the termination and liquidation of all Market Contracts then registered in its name.

In the event that a non-defaulting Clearing Participant or Clearing Agency Participant delivers a notice to HKSCC to terminate all of its Market Contracts then registered with HKSCC pursuant to this Rule 3706 as a result of the occurrence of an HKSCC Insolvency Event, then all Market Contracts of all Clearing Participants and Clearing Agency Participants will be terminated with effect from (and including) the day that falls on the second Business Day following the date of delivery of such notice by the non-defaulting Clearing Participant or Clearing Agency Participant (such day being the “Early Termination Date” for the purpose of this Rule 3706) and Rules 3707 to 3708 will apply to each Clearing Participant and Clearing Agency Participant. Upon receipt of a notice from a non-defaulting Clearing Participant or Clearing Agency Participant declaring the occurrence of an HKSCC Insolvency Event, HKSCC will notify all Clearing Participants and Clearing Agency Participants of (1) the occurrence of such event and (2) the Early Termination Date with respect to all Market Contracts registered in the name of all Clearing Participants and Clearing Agency Participants.

3707. Calculations of Net Payments under an HKSCC Failure to Pay Event or an HKSCC Insolvency Event

For the purposes of this Rule, (i) references to “Eligible Securities” mean Eligible Securities other than China Connect Securities; and (ii) references to “Market Contract” mean a Market Contract other than a contract between HKSCC and a China Connect Clearing Participant

arising as a result of the Novation of a China Connect Securities Trade to be settled under the CNS System.

Upon the designation of an Early Termination Date pursuant to either Rule 3705(iii) or Rule 3705(iv) in respect of an HKSCC Failure to Pay Event or under Rule 3706 in respect of an HKSCC Insolvency Event, every Market Contract between HKSCC and the relevant Clearing Participant or Clearing Agency Participant shall be terminated and all prevailing obligations of HKSCC and such Clearing Participant or Clearing Agency Participant in respect of each such Market Contract between them (including the obligations to deliver any Eligible Securities under such Market Contract) shall cease and be replaced with the obligation of HKSCC or the relevant Clearing Participant or Clearing Agency Participant, as the case may be, to pay the other party a net sum which shall take into account the termination value and any unpaid amounts of each such Market Contract as determined by HKSCC under this Rule and Section 17B.1 of the Operational Procedures. The termination value for each Market Contract shall be determined based on the prevailing market price on the Early Termination Date, or if such market price is not available, the price shall be such price as HKSCC may reasonably determine. HKSCC may also take into account any unpaid amounts that have become due and payable in respect of any Market Contract on or prior to the designation of the Early Termination Date.

Following the payment by each relevant Clearing Participant or Clearing Agency Participant of the HKSCC Default Interim CP Payable or HKSCC Default Final CP Payable with respect to the CNS positions from its Market Contracts, HKSCC shall pay an amount equal to the Margin Balance in respect of a Clearing Participant or Clearing Agency Participant to such Clearing Participant or Clearing Agency Participant in accordance with Section 17B.1 of the Operational Procedures; and HKSCC shall pay an amount equal to the Guarantee Fund Contribution Balance in respect of a Clearing Participant or Former Clearing Participant to such Clearing Participant or Former Clearing Participant in accordance with Section 17B.1 of the Operational Procedures.

HKSCC will, as soon as reasonably practicable, inform the Commission of the occurrence of an HKSCC Failure to Pay Event or HKSCC Insolvency Event upon becoming aware of the same.

3708. Liability of HKSCC under an HKSCC Failure to Pay Event or an HKSCC Insolvency Event

Notwithstanding the provisions of Rule 3307, settlement (by payment, set-off or otherwise) of the HKSCC Default CP Receivable with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from such Market Contracts pursuant to Rule 3707 and Section 17B.1 of the Operational Procedures discharges in full the obligations of HKSCC in respect of these Market Contracts and no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall have any recourse against HKSCC or to any fund or other entity, including without limitation any affiliate or recognized exchange controller which is the controller of HKSCC in relation to any Market Contract once the resources available to HKSCC including those available to be applied under Rules 2507, 2507A and 3702(ii) have been exhausted. In particular, no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall be entitled to instigate any action for the winding-up or the appointment of a receiver or manager over any property of HKSCC.

3709. Contract Termination

For the purposes of this Rule, (i) references to “Eligible Securities” mean Eligible Securities other than China Connect Securities; and (ii) references to “Market Contract” mean a Market Contract other than a contract between HKSCC and a China Connect Clearing Participant arising as a result of the Novation of a China Connect Securities Trade to be settled under the CNS System.

Following the occurrence of an Event of Default, if HKSCC reasonably believes that:

- (i) it will not be able to effect Closing-out Contracts with respect to all or any Market Contracts of the defaulting Clearing Participant or Clearing Agency Participant within a reasonable time as determined by HKSCC; or
- (ii) there will not be sufficient resources to satisfy its obligations and liabilities arising out of prevailing Market Contracts with non-defaulting Clearing Participants and Clearing Agency Participants as a result of such Event of Default;

HKSCC may, without prejudice to Rules 3307, 3705, 3706 and 4301, invoke the contract termination process as provided for in this Rule in consultation with the Commission.

HKSCC will terminate all unsettled Market Contracts of the defaulting Clearing Participant or Clearing Agency Participant and will determine which unsettled Market Contracts of the non-defaulting Clearing Participants or Clearing Agency Participants shall be terminated under this Rule (such unsettled Market Contracts of the defaulting Clearing Participant or Clearing Agency Participant and those of the non-defaulting Clearing Participants or Clearing Agency Participants so determined by HKSCC shall collectively be referred to as “Identified Market Contracts”). HKSCC will notify relevant Clearing Participants and Clearing Agency Participants of its determination, including details of the Identified Market Contracts and the effective date of termination of such Identified Market Contracts. In making this determination, HKSCC may:

- (i) select those Market Contracts which are in the same Eligible Securities as, but whose side is opposite to, the unsettled Market Contracts to which the defaulting Clearing Participant or Clearing Agency Participant is a party. The Market Contracts to be terminated shall, to the extent practicable, be allocated among the non-defaulting Clearing Participants and Clearing Agency Participants holding such Market Contracts on a pro-rata basis with reference to the CNS positions in the relevant Eligible Securities held by such non-defaulting Clearing Participants and Clearing Agency Participants; or
- (ii) select some or all of the Market Contracts in one or more Eligible Securities, regardless of whether the side of such Market Contracts is the same as or opposite to that of the unsettled Market Contracts to which the defaulting Clearing Participant or Clearing Agency Participant is a party; or
- (iii) select all of the Market Contracts in all Eligible Securities which are to be cleared and settled in CCASS.

Upon termination of one or more Identified Market Contracts under this Rule, all prevailing obligations of HKSCC and the relevant Clearing Participant or Clearing Agency Participant in respect of each such Identified Market Contracts between them (including the obligation to deliver any Eligible Securities under the Identified Market Contracts) shall cease and be replaced with the obligation of HKSCC or the relevant Clearing Participant or Clearing Agency Participant, as the case may be, to pay the other party a net sum equal to the aggregate termination value of each Identified Market Contract between them, as determined by HKSCC under this Rule and Section 10.16 of the Operational Procedures.

The termination value for each Identified Market Contract shall be determined based on the prevailing market price at the time of contract termination, or if such market price is not available, the price shall be such price as HKSCC may reasonably determine.

Notwithstanding the above, at any time during the contract termination process but prior to the effective date of termination of the relevant Identified Market Contracts, HKSCC may instead of proceeding with the termination of such Market Contracts, declare the occurrence of a Clearing Service Termination Event, and in such case the Identified Market Contracts shall not

be terminated in accordance with the contract termination process but shall be terminated in accordance with Rule 4301.

Notwithstanding the provisions of Rule 3307, payment by HKSCC of the Termination Value Receivable with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from its Identified Market Contracts pursuant to this Rule and Section 10.16 of the Operational Procedures discharges in full HKSCC's obligations in respect of these Identified Market Contracts and no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall have any recourse against HKSCC or to any fund or other entity, including without limitation any affiliate or recognized exchange controller which is the controller of HKSCC in relation to any Identified Market Contract once the resources available to HKSCC including those available to be applied under Rules 2507, 2507A and 3702(ii) have been exhausted. In particular, no Clearing Participant, Clearing Agency Participant or client of a Clearing Participant or Clearing Agency Participant shall be entitled to instigate any action for the winding-up or the appointment of a receiver or manager over any property of HKSCC.