

Options Trading Rules

CHAPTER 5

THE OPTIONS TRADING SYSTEM

Error Trades

540. If a trade takes place on HKATS at a level which deviates from the price parameters from time to time established by the Exchange and notified to Options Trading Exchange Participants (the “Price Parameters”), the Exchange will entertain any claim from an original party to the trade that the price was in error. Unless such claim forms part of a claim for Large-Scale Error Trades (having the meaning assigned to it in Options Trading Rule 540A), it shall be entertained only in accordance with the following procedures:

- (1) Any claim that a trade took place at a level which deviated from the Price Parameters, and was an error (“Error Trade”), shall be brought to the attention to the Exchange by any original party to the trade no later than thirty minutes after the time of the trade in such manner and form as may be prescribed by the Exchange from time to time. Upon receipt of such notification, the Exchange shall immediately broadcast an alert on HKATS that the trade is claimed to be an error and may be subject to cancellation.
- (2) If the parties to the Error Trade consent within 10 minutes after the alert is broadcast, and if no objection from any other Options Trading Exchange Participant is brought to the attention of the Exchange within 10 minutes after the alert is broadcast, the Error Trade will be cancelled in accordance with paragraph (6) of this Rule.
- (3) If within 10 minutes after the alert is broadcast, the parties to the Error Trade do not consent to its cancellation, or if an objection from any other Options Trading Exchange Participant is brought to the attention of the Exchange, or if not all the parties to the Error Trade can be contacted, a special HKATS Error Trade Review Panel (“Panel”) shall be convened immediately. The Panel shall review relevant information and decide within 10 minutes after it is convened (unless this is impractical) whether or not the claimed Error Trade shall be cancelled in accordance with paragraph (6) of this Rule. Any such decision shall be binding on all parties to the Error Trade and shall be broadcast on HKATS as soon as it is made.
- (4) The Panel shall consist of such members of HKEX staff, selected by the Chief Executive, from a list approved by the Chief Executive from time to time. The Panel, in reaching its decision, may consider all relevant facts, including market conditions before, during, and after the transaction occurred; and whether one or more parties to a multiple counterparty trade believe the trade is valid.

- (5) There shall be no appeal from the Panel's decision for any reason.
- (6) Within 30 minutes after any mutual consent to the cancellation of an Error Trade pursuant to paragraph (2) of this Rule, or any decision by the Panel that an Error Trade should be cancelled pursuant to paragraph (3) of this Rule, each party to the Error Trade shall complete and submit to the Exchange by facsimile or by hand a form prescribed by the Exchange from time to time in respect of the cancellation. If the Exchange does not receive the relevant form within the 30 minute time period, the Exchange in conjunction with SEOCH shall be deemed to have been authorized by each party to the Error Trade to effect the cancellation on its behalf. HKEX, SEOCH and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.
- (7) Within the next Business Day following the day on which any correction of Error Trade took place, the party initially requesting the correction shall submit to the Exchange a report setting out a detailed account of (i) the Error Trade committed; (ii) the reason for the Error Trade; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.
- (8) For the avoidance of doubt, no trade that takes place at a level within the Price Parameters, or is reported to the Exchange later than thirty minutes after the time of the trade, is subject to these correction provisions.

Large-Scale Error Trades

540A. If the Error Trades claimed by an Options Trading Exchange Participant are of such magnitude or complexity that any claim in respect of such Error Trades may have to be handled in accordance with this Options Trading Rule 540A ("Large-Scale Error Trades"), the Exchange will broadcast an alert on HKATS as soon as practicable that such trades may be subject to a Large-Scale Error Trade claim. If the Exchange in its absolute opinion determines, taking into consideration relevant factors such as the number of trades, counterparties and option series involved, that the claim should be handled as a Large-Scale Error Trade claim, the Exchange will entertain such claim in accordance with the following procedures:

- (1) The Exchange will broadcast an alert on HKATS as soon as practicable that such trades are the subject of a Large-Scale Error Trade claim and such trades and other related trades may be subject to cancellation.
- (2) The Exchange will evaluate the trades in question and other related trades (whether the Options Trading Exchange Participant which has initiated the relevant claims is a party to the trades or not) using the Large-Scale Error Trade reference prices and the price parameters applicable to Large-Scale Error Trades (the "Large-Scale Error

Trade Price Parameters”), both as prescribed by the Exchange and notified to Options Trading Exchange Participants from time to time.

- (3) Unless otherwise determined by the Exchange at its sole discretion, all trades which took place on HKATS at a level which deviated from the Large-Scale Error Trade Price Parameters and within such time period as may be determined by the Exchange shall be cancelled (whether the trades have been claimed as Error Trades by an Options Trading Exchange Participant or not) and an alert on the trades to be cancelled shall be broadcast on HKATS. Any such decision shall be binding on the parties to these trades and the parties to these trades shall not be entitled to object to their cancellation or appeal against the Exchange’s decision for any reason. HKEX, SEOCH and the Exchange shall not be liable to any person in any way whatsoever in consequence of taking any such action.
- (4) Within the next Business Day following the day on which any Large-Scale Error Trade took place, the party initiating the Error Trade claims shall submit to the Exchange a report setting out a detailed account of (i) the Error Trades committed; (ii) the reason for the Error Trades; and (iii) the measures that the party has implemented or will implement in order to prevent the occurrence of similar Error Trades in the future.

540B. In the event that the Exchange determines under Options Trading Rule 540A that a claim should not be handled as a Large-Scale Error Trade claim, the Exchange will broadcast a further alert on HKATS that the claim will not be handled as a Large-Scale Error Trade claim, and the procedures under Options Trading Rules 540(2) to (8) shall apply instead (except that the alert referred to in Options Trading Rules 540(2) and 540(3) shall be deemed to be the alert broadcast under this Options Trading Rule 540B).

541. For each Error Trade claim initiated by an Options Trading Exchange Participant pursuant to Options Trading Rule 540 and the handling of Large-Scale Error Trades pursuant to Options Trading Rule 540A, the Options Trading Exchange Participant shall pay to the Exchange upon demand a fee of HK\$3,000 per trade.