

Operational Clearing Procedures for Options Trading Exchange Participants

I. INTRODUCTION TO OPERATIONAL CLEARING PROCEDURES

1. INTRODUCTION

1.3 SEOCH Participants

SEOCH will maintain a register of its Participants in accordance with the Clearing Rules.

There are two categories of SEOCH Participantship:

A **Direct Clearing Participant (DCP)** is entitled to clear options contracts traded in HKATS on the instructions, in its capacity as an Options Trading Exchange Participant, of its clients, as well as trades for its own account.

A **General Clearing Participant (GCP)** is entitled to clear options contracts traded in HKATS on the instructions, in its capacity as an Options Trading Exchange Participant, of its clients, as well as trades for its own account. In addition, a GCP is entitled to clear options contracts on behalf of other Options Trading Exchange Participants with whom it has entered into a Clearing Agreement.

An Options Trading Exchange Participant which is not a SEOCH Participant is referred to as a **Non-Clearing Options Trading Participant (NCP)**. An NCP cannot clear trades on its own, but has to rely on one or more GCPs to clear trades on its behalf.

II. SEOCH PARTICIPANTSHIP

2. SEOCH PARTICIPANT

2.4 Resignation of SEOCH Participantship

2.4.1 Resignation of SEOCH Participantship to become an NCP

A SEOCH Participant resigning from SEOCH Participantship and becoming an NCP shall submit a written request to SEOCH, together with a certified true copy of ~~the~~each Clearing Agreement which it has signed with a GCP. Upon becoming an NCP, it will no longer be able to clear its own or any client's options trades.

A SEOCH Participant which is a GCP at the time of submitting the resignation request must also present certified true copy(ies) of the termination agreement(s) that it has signed with any of the NCPs on whose behalf it has been clearing.

2.6 Change of Clearing Relationship

If there is a change to an existing clearing relationship between an NCP and a GCP, they are required to sign a termination agreement to end the relationship. The NCP shall, if applicable appoint a replacing GCP to clear its options trades.

Besides the NCP, ~~the~~any newly appointed GCP and the terminated GCP are also required to notify SEOCH in writing. If the change request is approved by SEOCH, SEOCH will confirm the effective date for change of clearing relationship in writing.

The NCP's trades done prior to the effective date of termination of an existing GCP will be cleared by the existing GCP where such trades have been designated to the existing GCP for clearing and trades done on or after the effective date and trades not designated to the existing GCP for clearing will be cleared by any other existing GCP or ~~the~~ new GCP of the NCP. SEOCH will transfer all its existing positions with the terminated GCP to the corresponding accounts with any of the NCP's other or new GCPs as notified to SEOCH on the effective date.

If the change in clearing relationship leads to a change in the GCP's Reserve Fund Contribution, SEOCH will process the addition/reduction in Initial Contribution within such period of time as specified by the SEOCH Board.