

Operational Clearing Procedures for Options Trading Exchange Participants

OPERATIONAL CLEARING PROCEDURES

9. MARGIN REQUIREMENT

9.2.5 Additional Margin – Reserve Fund Additional Margin

An additional margin will be imposed on a SEOCH Participant in respect of all its open positions and pending stock positions and notified to SEOCH Participants from time to time in the event that when assessed by reference to the historical data from each of the realized stressed market conditions and/or hypothetical data for each of the unrealized stressed market conditions as SEOCH may determine:

- (a) the projected aggregate loss (less General Collateral (excluding any excess collateral) and any margin except additional margin collected under this section) arising from such open option positions and pending stock positions of the SEOCH Participant (“Reserve Fund Net Projected Loss”) exceeds the Reserve Fund Risk Predefined Limit, which is equal to 50% of the Reserve Fund Threshold or such other percentage as SEOCH may consider appropriate; and
- (b) the prevailing Reserve Fund size is equal to the Reserve Fund Threshold.

11. RESERVE FUND

11.2.2 Variable Contributions and Resources which may be Appropriated by SEOCH as Contributions to the Reserve Fund

On the Top-up calculation date, SEOCH calculates the daily risk exposure of the Reserve Fund on each Business Day, which is the greater of the upside or downside risk exposure of the Reserve Fund on that day, and Variable Contributions and the resources which may be appropriated by SEOCH as contributions to the Reserve Fund will be recalculated (and in the case of Variable Contributions demanded) such that the size of the Reserve Fund after the injection of the Variable Contributions and the resources which may be appropriated by SEOCH as contributions to the Reserve Fund will cover 115% of the risk exposures of the Reserve Fund throughout the most recent 60 Business Days. If the size of Reserve Fund determined above is higher than the Reserve Fund Threshold, it shall be reduced to an amount equal to the Reserve Fund Threshold.

SEOCH will determine the resources which may be appropriated by SEOCH as contributions to the Reserve Fund using the following formulae:

If 115% of MEX is higher than the Reserve Fund Threshold:

CHA = 10% of the Reserve Fund Threshold

If 115% of MEX is higher than or equal to MIN but lower than the Reserve Fund Threshold:

CHA = 10% x (MEX x 115%)

If 115% of MEX is lower than MIN:

CHA = 10% x (BEF ÷ 90%)

where

MEX = the maximum daily risk exposure of the Reserve Fund during the most recent 60 Business Days

BEF = the basic elements of the Reserve Fund (including Initial Contributions, interest income, any guarantee, facility and insurance policy)

CHA = the resources which may be appropriated by SEOCH as contributions to the Reserve Fund, which should amount to 10% or such other percentage of the Reserve Fund size as determined by SEOCH from time to time, in which case the percentage in the formulae above shall be adjusted accordingly

MIN = the minimum size of the Reserve Fund (i.e. the sum of BEF and the resources which may be appropriated by SEOCH as contributions to the Reserve Fund), which should amount to BEF ÷ 90%

11.2.3 Maintenance of the Reserve Fund

The Reserve Fund will be of a minimum size as determined by SEOCH, regardless of the number of SEOCH Participants.

Subject to Clearing Rule 413F, ad hoc recalculation of the Variable Contributions, and associated demands for payment, may be made from time to time separate from the regular monthly calculations, if:

- (a) the daily risk exposure of the Reserve Fund calculated on each Business Day exceeds 90% of; and
- (b) Reserve Fund Threshold is higher than

the existing Reserve Fund size or if SEOCH considers it appropriate to do so in any other circumstances. If the ad hoc recalculation is required, Variable Contributions and the resources which may be appropriated by SEOCH as contributions to the Reserve Fund will be recalculated (and in the case of Variable Contributions demanded) such that the existing size of the Reserve Fund after the injection of the Variable Contributions and the resources which may be appropriated by SEOCH as contributions to the Reserve Fund will cover 115% of the risk exposures of the Reserve Fund throughout the most recent 60 Business Days. If the size of Reserve Fund determined above is higher than the Reserve Fund Threshold, it shall be reduced to an amount equal to the Reserve Fund Threshold.