

Operational Clearing Procedures for Options Trading Exchange Participants

9. MARGIN REQUIREMENT

9.2.4 Additional Margin

An additional margin will be imposed on a SEOCH Participant in respect of its open option positions and pending stock positions of the same or such similar underlying stock as determined by SEOCH 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:

- i. the projected aggregate loss (less any margin) arising from such open option positions and pending stock positions (“Net Projected Loss”) of the SEOCH Participant is greater than 30 percent of the total Net Projected Loss of all SEOCH Participants; and
- ii. the total Net Projected Loss of all SEOCH Participants arising from such open option positions and pending stock positions based on the same or similar underlying stock exceeds HK\$500 million.

The additional margin to be imposed shall be a percentage of the otherwise applicable margin requirement based on the following, or such other percentage as SEOCH may consider appropriate:

Net Projected Loss of the SEOCH Participant vs all SEOCH Participants	% of applicable margin rate
More than 30% and equal to or less than 40%	20%
More than 40% and equal to or less than 50%	25%
More than 50% <u>and equal to or less than 60%</u>	30%
<u>More than 60% and equal to or less than 80%</u>	<u>40%</u>
<u>More than 80%</u>	<u>50%</u>

Notwithstanding the above, a SEOCH Participant accounting for greater than 80% of the total Net Projected Loss is only required to pay 40% (instead of 50%) of the applicable margin rate during the first five (5) Business Days when such percentage remains greater than 80%. In the event that a SEOCH Participant’s Net Projected Loss remains at a level greater than 80% of the total Net Projected Loss for six (6) consecutive Business Days or more, the SEOCH Participant must pay 50% of the applicable margin rate as additional margin from the sixth (6th) Business Days onwards.

For the avoidance of doubt, if additional margin is required under two or more stressed market conditions, the higher or highest (as the case may be) additional margin rate shall be imposed.