

Operational Clearing Procedures for Options Trading Exchange Participants

9. MARGIN REQUIREMENT

9.2.3 Total Margin Requirement

The sum of Mark-to-Market Margin and Risk Margin is the Total Margin Requirement for the portfolio.

The daily margin requirements calculated during the DCASS day end batch processing for each SEOCH Participant for open option positions maintained in each of the accounts of the SEOCH Participant in DCASS are available for on-line screen inquiry and report printing on the next Business Day.

Please refer to Appendix D or the *PRiME Margining Guide* for an illustration of the calculation of the 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:

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

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.