

Operational Clearing Procedures for Options Trading Exchange Participants

12. POSITION CONTROL

12.2 Capital Based Position Limit

Unless otherwise determined by SEOCH on a case by case basis, under this measure, net, gross and total limits are assigned to each SEOCH Participant on the basis of its latest reported liquid capital or Adjusted Capital, as appropriate, as follows:

Net Limit = 3 x LC or AC (i.e. 3 x LC or AC \geq NRM)

Gross Limit = 6 x LC or AC (i.e. 6 x LC or AC \geq GRM)

TMR Limit = 10 x LC or AC (i.e. 10 x LC or AC \geq TMR)

where

NRM = the sum of the Risk Margin (determined on a net basis and after offsetting any Mark-to-Market margin credit, where applicable) for all accounts of the SEOCH Participant in DCASS

GRM = the sum of the Risk Margin (determined on a net or gross basis as the case may be and after offsetting any Mark-to-Market margin credit, where applicable) for all accounts of the SEOCH Participant in DCASS

TMR = the Total Margin Requirement of the SEOCH Participant

LC = in respect of a SEOCH Participant other than a GCP which is a Registered Institution, the apportioned amount or percentage of its liquid capital (calculated as per the Financial Resources Rules) notified to SEOCH under 12.3A, as adjusted upwards by any contribution to the Reserve Fund paid in cash by the SEOCH Participant as of the date of its latest monthly return filed with the Commission under the Financial Resources Rules and received by SEOCH from the Commission

AC = in respect of a GCP which is a Registered Institution, the apportioned amount or percentage of its Adjusted Capital notified to SEOCH under 12.3A.

12.5 Remedies in Case of Breach

Unless an extension is granted subject to such conditions as may be imposed by SEOCH on a case by case basis, a SEOCH Participant whose positions have breached the net, gross and/or total limit assigned to it by SEOCH on a daily basis under 12.2 will be given 10 Business Days (as may be extended and subject to such conditions as aforesaid) to comply with the limit(s) provided that during such time, the SEOCH Participant pays SEOCH an additional margin equivalent to 25% of:

- i. its NRM in excess of its net limit;
- ii. its GRM in excess of its gross limit; or
- iii. its TMR in excess of its total limit;

whichever is the highest.

If the SEOCH Participant fails to pay or deliver any such additional margin, the breach must be remedied immediately.

A SEOCH Participant whose positions have breached any limit set out under 12.2 may remedy the breach by increasing its liquid capital or, in the case of a GCP which is a Registered Institution, its Adjusted Capital, whether by revising the amount or percentage of liquid capital or Adjusted Capital apportioned or otherwise. If the SEOCH Participant's declared remedy of the breach is to increase its liquid capital or Adjusted Capital, SEOCH may demand proof to the satisfaction of SEOCH that the increase in the SEOCH Participant's liquid capital or Adjusted Capital actually has been achieved.

Notwithstanding the above, if the SEOCH Participant cannot comply with SEOCH's requirement by the specified time (as may be extended as aforesaid), the SEOCH Participant must, or failing which SEOCH may, close out or transfer to any other SEOCH Participant or SEOCH Participants all positions in excess of the capital based position limit.