

Options Clearing Rules

CHAPTER 1

DEFINITIONS AND INTERPRETATION

Definitions

101. In these Clearing Rules, unless the context otherwise requires:-

<u>“Tax Information Exchange Framework”</u>	<u>means (i) sections 1471 to 1474 of the United States Internal Revenue Code of 1986, as amended (the “Code”) (ii) any similar or successor legislation to (i) introduced by the United States, (iii) any agreement described in section 1471(b) of the Code, (iv) any regulations or guidance pursuant to any of the foregoing, (v) any official interpretations of any of the foregoing, (vi) any intergovernmental agreement to facilitate the implementation of any of the foregoing (an “IGA”), or (vii) any law implementing an IGA;</u>
<u>“Withholding Tax”</u>	<u>means any withholding or deduction pursuant to the Tax Information Exchange Framework;</u>

CHAPTER 3

SEOCH PARTICIPANTSHIP

306. [Repealed]

307. Each applicant shall provide the SEOCH Board with such certifications, declarations, representations, undertakings, documents and further information, as the SEOCH Board may require for dealing with the application.

CHAPTER 4

SEOCH PARTICIPANTS' OBLIGATIONS

Continuing Obligations

403. Each SEOCH Participant shall at all times:-

- (14) be able to demonstrate, to the satisfaction of SEOCH, the ability to comply with the above at all times; ~~and~~
- (15) maintain in force a mandate in such form as may be prescribed by SEOCH authorising SEOCH:
 - (a) to transfer SEOCH Collateral provided by the SEOCH Participant to HKSCC (as required by HKSCC) in relation to the settlement of the delivery obligations of the SEOCH Participant or the CCASS GCP, where applicable, under the CNS System; and

- (b) to pay Settlement Amount in relation to stock delivery obligations settled by securities collateral already provided to SEOCH to the cash account of the SEOCH Participant or the CCASS GCP, where applicable, maintained with HKSCC;

(16) comply with any law, decree, rule, regulation, or order of any government, regulatory authority, competent authority, court or tribunal anywhere in the world, applicable to it or to its status, the conduct of its business and the performance of its obligations as a SEOCH Participant, including, for the avoidance of doubt, all applicable laws, decrees, rules, regulations, and orders of any government, regulatory authority, competent authority, court, or tribunal relating to the prevention of bribery, money laundering, tax evasion, financial crimes and terrorist financing; and

(17) notify SEOCH of any change in the details supplied to SEOCH at the time of admission and thereafter, including but not limited to anything relating to such SEOCH Participant, its directors or employees which would render inaccurate, incomplete or superseded a statement or information previously furnished by such SEOCH Participant to SEOCH in connection with either (a) such SEOCH Participant's application for admission to be a SEOCH Participant or (b) the status of such SEOCH Participant under the Tax Information Exchange Framework, the documentation previously furnished by such SEOCH Participant on such status or the meeting by SEOCH under Rule 403E of any obligations relating to the Tax Information Exchange Framework.

403E. Each SEOCH Participant shall provide SEOCH with sufficient information so as to enable SEOCH to determine whether any payments to be made by SEOCH under these Rules are withholdable payments pursuant to the Tax Information Exchange Framework and to enable SEOCH to meet any applicable obligations relating to the Tax Information Exchange Framework.

Confidentiality

428. All information in the possession of SEOCH relating to a SEOCH Participant will be kept confidential by the directors and other staff or officers of SEOCH having access to the same in accordance with the procedures made by SEOCH. SEOCH, however, may disclose any information at any time:-

(8) to any exchange, clearing house, governmental, regulatory or competent authority or any organization (whether in Hong Kong or elsewhere) with whom HKEx, SEOCH or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework;

(10) to any company of which a recognized exchange controller which is a controller of the Exchange is a controller;~~or~~

(11) to the chief executive or the chief operating officer of HKEx for the time being appointed or deemed to have been appointed in accordance with the Securities and Futures Ordinance or, as the context may require, their designees;~~or~~

(12) if so required pursuant to any requirement or request of any governmental, regulatory or other competent authority whether within or outside Hong Kong (including, but not limited to, the Commission, Hong Kong Monetary Authority and the Inland Revenue Department of the Hong Kong government) or by or in accordance with the Tax Information Exchange Framework,

provided that, in any such case other than under sub-paragraphs (7), (8) and (12) above, the confidentiality of the information is made known to the recipient (it being understood that, if a case is described in multiple sub-paragraphs of this sentence that include sub-paragraphs (7), (8) or (12) above, then the confidentiality of the information need not be made known to the recipient).

428A. The Board may direct a SEOCH Participant to provide it with any information required or requested by an exchange, clearing house, governmental, regulatory or other competent authority or any organization (whether in Hong Kong or elsewhere) with whom HKEx, SEOCH or the Exchange has entered into an information sharing arrangement or agreement or pursuant to the Tax Information Exchange Framework.

443. [Repealed]

Tax

444. SEOCH shall make any payments due to a SEOCH Participant net of any Withholding Tax (whether withheld by SEOCH or any other parties), and SEOCH shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax. SEOCH shall be entitled to deduct Withholding Tax from payments to a SEOCH Participant.

445. In the event that any payment made by a SEOCH Participant to SEOCH is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Withholding Tax, then the SEOCH Participant shall pay to SEOCH an amount, in addition to the payment to which SEOCH is otherwise entitled, necessary to ensure that the net amount actually received by SEOCH (free and clear of any such deduction or withholding for or on account of any such Withholding Tax), will be equal to the full amount SEOCH would have received in the absence of any such deduction or withholding.

446. Each SEOCH Participant shall indemnify SEOCH, the Exchange, and a recognized exchange controller which is the controller of SEOCH and keep SEOCH, the Exchange, and a recognized exchange controller which is the controller of SEOCH indemnified from and against any loss, cost (including cost of enforcement), interests, liability (including any tax or other fiscal liability), claim, damage, cost or expenses of whatever nature which SEOCH, the Exchange, and a recognized exchange controller which is the controller of SEOCH incurred or suffered in connection with any actions taken by SEOCH or any actions that SEOCH is required to take to comply with any obligations relating to the Tax Information Exchange Framework (or fails to take relating to Withholding Tax obligations) with respect to such SEOCH Participant.

**CHAPTER 8
DISCIPLINARY**

Situations Calling for Disciplinary Action

802. In addition to the situations calling for disciplinary action against a SECH Participant pursuant to Clearing Rule 801, SECH may take disciplinary action in relation to SECH Participants:-

- (6) if the SECH participant fails to provide information requested by an exchange, clearing house, governmental, regulatory or other competent authority or an organization (whether within or outside Hong Kong) with whom HKEx, SECH or the Exchange has entered into an information sharing arrangement or agreement or pursuant to Clearing Rule 403(17) or Rule 403E.