

CHAPTER 2

CLEARING BY SEOCH

Terms of OCH Contracts

205. The obligations of SEOCH to a SEOCH Participant under each OCH Contract shall be limited exclusively to:-

- (5) the amount received pursuant to any claim under any insurance policy taken out by SEOCH for the purpose of providing financial resources to support the Reserve Fund and which is available to support the obligations of SEOCH under that OCH Contract; and
- (6) any amount SEOCH may in its absolute discretion make available to support its obligations out of the retained earnings of SEOCH,
- (7) [Repealed]

and no other assets available to SEOCH shall be applied to meet any such obligations. To the extent that the aggregate of the assets available to SEOCH referred to in sub-paragraphs (1) to (6) above is insufficient at any time to meet the aggregate liability of SEOCH to SEOCH Participants under all OCH Contracts subsisting at any time, each SEOCH Participant to whom SEOCH is liable shall only be entitled to receive payment pro rata according to the amount due to him as compared with the aggregate due to all SEOCH Participants, except in exceptional circumstances where SEOCH determines payment will not be pro rata. SEOCH shall remain liable on all such OCH Contracts but payment of the balance of such amounts due shall only be made as and when, and to the extent that, the assets referred to in sub-paragraphs (1) to (6) are subsequently available to SEOCH.

CHAPTER 4

SEOCH PARTICIPANTS' OBLIGATIONS

SEOCH Use and Order of Application of the Reserve Fund

413. Without prejudice to SEOCH's rights to draw on any other assets available to the Reserve Fund including those stated in Clearing Rule 205 (4), (5) or (6), the amounts standing to the credit of the Reserve Fund Requirements will be applied towards any payment permitted by Clearing Rule 412 in the following order of priority:-

Resignation as a SEOCH Participant

420. A notice of resignation may only be revoked before the effective date of termination of its SEOCH Partnership with the prior written consent of SEOCH. The resigning SEOCH Participant is required to submit a written request to SEOCH giving reasons for the revocation.

421. Unless otherwise determined by the SEOCH Board, every SEOCH Participant who gives notice of resignation of its SEOCH Participantship shall:-
- (2) at the time it gives such notice or within such time period specified by SEOCH, submit for approval to SEOCH a plan for the orderly winding down of its affairs in relation to Exchange Traded Options Business, including, but not limited to, the closing or give-up, in accordance with these Clearing Rules and the Options Trading Rules, of all OCH Contracts to which it is party, and shall, upon approval of such plan by SEOCH, and unless otherwise agreed by SEOCH, adhere to that plan until the expiry of its SEOCH Participantship;
 - (3) not (except with the consent of, or as directed by, SEOCH) enter into any opening contracts; and
 - (4) if SEOCH is satisfied that a SEOCH Participant is resigning its SEOCH Participantship pursuant to a reorganisation of the group of companies of which the SEOCH Participant is a member and in circumstances where another company in the same group is to become a SEOCH Participant and to continue the business of the existing SEOCH Participant in place of the existing SEOCH Participant; and for this purpose a company shall be in the same group as another company if, in the opinion of SEOCH, the ultimate beneficial owners of both companies are the same or substantially the same, then, upon written application of the resigning SEOCH Participant, SEOCH may issue a written notice exempting that SEOCH Participant from compliance with Rules 421(2), 421(3) and 422 and, if SEOCH thinks fit, allowing the resigning SEOCH Participant's Reserve Fund contributions to be credited to the new SEOCH Participant with effect from a date stipulated by SEOCH (such date not to be later than the date upon which the new SEOCH Participant becomes a SEOCH Participant). Any such notice may be issued on such conditions as SEOCH thinks fit. SEOCH shall have an absolute discretion to determine whether or not the ultimate beneficial ownership of companies is "the same or substantially the same" and SEOCH's decision in relation to the same shall be final and binding.

Clearing Agreements

429. Every GCP shall enter into a Clearing Agreement in such form or containing such provisions as may from time to time be required by SEOCH with each NCP for whom it proposes to accept Options Contracts for clearing. Except where a non-defaulting GCP consents to accept a give-up of OCH Contracts pursuant to Clearing Rule 715, a GCP shall not accept for clearing any such Options Contracts for an NCP until a Clearing Agreement has been signed by both parties.
431. A GCP shall notify SEOCH immediately of the execution of each Clearing Agreement to which that GCP is party, identifying the name of the relevant NCP. Such notification shall be in such form as SEOCH may from time to time specify.
433. A GCP shall, at the request of SEOCH, supply it and the Exchange with a certified copy of any executed Clearing Agreement to which that GCP is or has been party.
- 434A. (1) A GCP shall give prior written notice to SEOCH if it or an NCP intends to terminate the Clearing Agreement between them, unless the NCP has already given notice to terminate the Clearing Agreement to the Exchange in accordance with the Options Trading Rules.

- (2) When SEOCH receives a termination notice from the GCP or when SEOCH receives notification from the Exchange that notice to terminate the Clearing Agreement had been given by an NCP, SEOCH will issue a confirmation of termination to the GCP (with a copy to the NCP concerned) in writing and unless and until written confirmation has been issued to the GCP, the Clearing Agreement shall be treated as valid, binding and effective by SEOCH for the purposes of these Clearing Rules notwithstanding any provision to the contrary in the Clearing Agreement and/or the termination notice from the GCP or the NCP and the GCP shall continue to be bound by the Clearing Agreement and responsible for all the OCH Contracts concluded by such NCP.
- (3) Notwithstanding the above and without prejudice to the rights of SEOCH under Clearing Rules 714 to 717, the Clearing Agreement is deemed to be terminated when the GCP has resigned or is suspended or expelled from SEOCH Participantship or when its access to the Options Clearing System is suspended or terminated under these Clearing Rules.
- (4) The termination of the Clearing Agreement between a GCP and an NCP will not affect any of their rights or liabilities arising out of matters which have taken place prior to the termination of the Clearing Agreement and for the purpose of settlement of any such rights or liabilities of the GCP and NCP, SEOCH may continue to treat the GCP as the GCP of the NCP.

CHAPTER 7

DEFAULT PROCEDURES

GCP Obligations on Default, Resignation or other Relevant Circumstances

714. If SEOCH determines that a default has occurred in respect of a GCP, or where a GCP has resigned pursuant to these Clearing Rules, or where any Clearing Agreements entered into by a GCP with NCPs are deemed to be terminated under Clearing Rule 434A(3), SEOCH may direct that GCP to contact as soon as possible NCPs with whom it has entered into Clearing Agreements, with a view to determining what action, having regard to the default or resignation or other relevant circumstances, those NCPs would like to take in relation to NCP Contracts to which they are party.
715. Where any NCP contacted by a GCP pursuant to Clearing Rule 714 has instructed the GCP to exercise, close or allow the expiration of any NCP Contracts or to give-up any NCP Contracts to another GCP, the GCP shall immediately notify SEOCH of such instructions. SEOCH may authorise or direct the GCP to exercise, close, or allow the expiration of any such NCP Contracts or to request the acceptance of another GCP to a give-up of such NCP Contracts.
716. A GCP to whom NCP Contracts and OCH Contracts are given-up pursuant to Clearing Rule 715 shall, as soon as practicable, enter into a Clearing Agreement in such form or containing such provisions as may from time to time be required by SEOCH with that NCP.