

Options Clearing Rules

Chapter 4 - SEOCH Participants' Obligations

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**CHAPTER 1
DEFINITIONS AND INTERPRETATION**

Definitions

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

“Daily Margin”	means the aggregate amount determined by SEOCH after System Closure on each trading day to be payable in respect of a SEOCH Participant’s open positions and delivery obligations as determined by SEOCH, <u>and for the purposes of the Options Trading Rules, these Clearing Rules and the Operational Clearing Procedures, references to “Daily Margin” include, unless the context requires otherwise, any additional margin payable by a SEOCH Participant under 9.2.4, 9.2.5 and 12.5 of the Operational Clearing Procedures;</u>
<u>“Reserve Fund Risk Predefined Limit”</u>	<u>means an amount equal to 50% of the Reserve Fund Threshold or such other percentage as SEOCH deems appropriate from time to time;</u>
<u>“Reserve Fund Threshold”</u>	<u>means the Reserve Fund size prescribed by SEOCH from time to time pursuant to Clearing Rule 404B;</u>

CHAPTER 4
SEOCH PARTICIPANTS' OBLIGATIONS

Reserve Fund Threshold

404B. For the purpose of calculating the Reserve Fund size under 11.2.2 of the Operational Clearing Procedures, SEOCH may, from time to time in its absolute discretion, prescribe an amount which is projected to be the maximum required size for the time being of the Reserve Fund, known as the Reserve Fund Threshold, taking into account such relevant factors as it shall consider appropriate, including any historical data and prevailing market conditions.

Reserve Fund Requirements

406. Each SEOCH Participant must at all times maintain a level of Reserve Fund Contributions which SEOCH in its absolute discretion determines to be appropriate having regard (without limitation) ~~both~~ to the Reserve Fund size which is needed given aggregate open positions and estimated market volatility, ~~and to~~ any minimum Reserve Fund size needed regardless of those positions and that volatility and the Reserve Fund Threshold. The amount for the time being calculated by SEOCH and required to be contributed to the Reserve Fund by each SEOCH Participant in order to maintain the Reserve Fund at the size so determined to be appropriate is referred to in these Clearing Rules as the "Reserve Fund Requirement" of a SEOCH Participant.

Resources appropriated by SEOCH as contributions to Reserve Fund

411A. SEOCH may appropriate any of its resources as contributions to the Reserve Fund. The appropriation should amount to 10% or such other percentage of the Reserve Fund size as SEOCH may determine from time to time.

SEOCH Use and Order of Application of the Reserve Fund

413. Without prejudice to SEOCH's rights to draw on any other resources 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 will be applied towards any payment permitted by Clearing Rule 412 in the following order of priority:-

- (1) SEOCH Collateral held by SEOCH in respect of the Reserve Fund Contributions of the Defaulter(s) (if applicable);
- (2) interest income credited to the Reserve Fund;
- (2a) Resources appropriated by SEOCH as contributions to the Reserve Fund;
- (3) SEOCH Collateral held by SEOCH in respect of other SEOCH Participants' Initial Contributions;
- (4) SEOCH Collateral held by SEOCH in respect of other SEOCH Participants' Variable Contributions;
- (5) the proceeds of insurance policies arranged pursuant to Clearing Rule 205; and
- (6) the proceeds of guarantees or facilities arranged pursuant to Clearing Rule 205.

Accounts of Reserve Fund

413A. SEOCH shall maintain a separate record of:-

- (1) all amounts standing to the credit of;
- (2) all resources appropriated by SEOCH as contributions to; and
- (3) all guarantees, facilities or policies arranged or taken out for the purpose of providing financial resources to support;

the Reserve Fund from time to time. Without prejudice to the aforesaid, SEOCH shall maintain a separate account in respect of all the contributions made or required to be made by SEOCH Participants to the Reserve Fund.

CHAPTER 6
RISK MANAGEMENT AND PAYMENT PROCEDURES

Margin, Premium and Settlement Amounts Calculation

609. SEOCH will endeavour at all times to ensure that not later than 8:00 a.m. on the Business Day immediately following each trading day, appropriate information on: -

- (1) the amount of Premium and Settlement Amounts due from or to a SEOCH Participant; and
- (2) the amount of Daily Margin due from a SEOCH Participant, or appropriate information necessary for a SEOCH Participant to compute such amount,

will be available for retrieval by that SEOCH Participant from the Options System, or will be provided to that SEOCH Participant through such other channels as SEOCH considers appropriate.

Collection of Margin, Premium and Settlement Amounts by SEOCH

611. Subject to these Clearing Rules, on the Business Day immediately following each trading day:-

- (1) each SEOCH Participant from whom Premium, Settlement Amount or Daily Margin is due shall pay such Premium or Settlement Amount or deliver SEOCH Collateral in respect of such Daily Margin (other than any additional margin payable pursuant to 9.2.4, 9.2.5 or 12.5 of the Operational Clearing Procedures) to SEOCH not later than 9:15 a.m. and deliver SEOCH Collateral in respect of any additional margin payable pursuant to 9.2.4, 9.2.5 or 12.5 of the Operational Clearing Procedures not later than 11:00 a.m.; and