

CHAPTER 9

CONTRACTS

PART A RULES APPLICABLE TO ALL CLASSES OF CONTRACTS

9.01 Contract Specifications

- (1) Contracts offered for trading by the Exchange are governed by these Rules and the relevant Contract Specifications prescribed by the Exchange.
- (2) In the event of a conflict between these Rules and the Contract Specifications, these Rules will prevail.

9.02 Final Trading Day and Expiration Date

- (1) The Final Trading Day and Expiration Date for a Contract is as prescribed in the Contract Specifications of that Contract.
- (2) The Exchange may change the Final Trading Day and Expiration Date for a Contract and announce a day that is different from the Final Trading Day and Expiration Date that is prescribed in the Contract Specifications whenever such action is required in the public interest or to meet unusual conditions.
- (3) Trading in a Contract on its Final Trading Day will cease at such time as is prescribed in the Contract Specifications of that Contract or at such other time prescribed by the Exchange.

9.03 Contract Settlement

- (1) Settlement of Contracts may either be via cash settlement or delivery of the Instrument underlying the Contract as prescribed in the Contract Specifications.
- (2) Any Contract remaining open after trading ceases on the Final Trading Day of the Contract will be settled by the Final Settlement Day in accordance with the Clearing House Rules.
- (3) The Exchange may change the Final Settlement Day for a Contract whenever such action is required in the public interest or to meet unusual conditions.

9.04 Final Settlement Value and Final Closing Price

- (1) The final settlement value or Final Closing Price (as the case maybe) for a Contract is calculated based on the methodology as prescribed in the Contract Specifications.
- (2) The Exchange may use any other methodology it deems fit to compute and declare the final settlement value or Final Closing Price if an event that will affect the ability of the Exchange to compute the final settlement value or the Final Closing Price based on the methodology prescribed in the Contract Specifications has occurred or is likely to occur.

9.05 Contracts No Longer Offered for Trading

If the Exchange determines that a Contract should no longer be offered for trading for any reason, including where the underlying Instrument no longer meets the current requirements for selection or should no longer be used, the Exchange may take any one or more of the following actions:

- (a) withdraw the Contract from being offered for trading;
- (b) suspend trading of the Contract;
- (c) not open for trading any additional Contracts;
- (d) direct any actions to be taken in respect of the Contract; or
- (e) any other action which the Exchange deems fit in the circumstances.

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PART B RULES APPLICABLE TO PHYSICALLY DELIVERED CONTRACTS

9.06 Application

Rules 9.07 and 9.08 apply where settlement of the Contract is prescribed in the Contract Specifications to be by physical delivery of the Instrument underlying the Contract.

9.07 Obligations of the Buyer and Seller

- (1) The buyer's obligation under a Contract is to take delivery and make payment.
- (2) The seller's obligation under a Contract is to make delivery of the Instrument underlying the Contract in accordance with the Contract Specifications.

9.08 Undertaking By Port Tank Installations

- (1) The Exchange will publish a list of Port Tank Installations contemplated in the relevant Contract Specifications. Port Tank Installation Owners must give such written undertaking as the Exchange may require including that they will comply with these Rules in respect of the handling and documentation of the Instrument underlying a Contract which may be Tendered on the Contract.
- (2) Charges for services, including storage and insurance, rendered by a Port Tank Installation must not exceed the rates filed with the Exchange.
- (3) Neither the Exchange nor the Clearing House will have any liability for the conditions of a Port Tank Installation or its suitability for the storage of the Instrument underlying a Contract or for the performance by the Port Tank Installation Owners of any responsibility that they may assume towards the Participants or other persons pursuant to these Rules.

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PART C RULES APPLICABLE TO SPECIFIC CONTRACTS

9.09 Single Stock Futures Contract

For the purpose of Rules 9.10 and 9.11, “underlying stock” means the securities which are the subject of the Single Stock Futures Contract.

9.10 Single Stock Futures Contract no longer Offered for Trading

If the underlying stock used for a Single Stock Futures Contract is de-listed or its trading is suspended or halted in the Underlying Market by the relevant stock exchange, or in any other circumstances deemed fit by the Exchange, the Exchange may take any one or more of the following actions:

- (a) withdraw the Contract from being offered for trading;
- (b) suspend trading of the Contract;
- (c) not open for trading any additional Contracts;
- (d) direct any actions to be taken in respect of the Contract; or
- (e) any other action which the Exchange deems fit in the circumstances.

9.11 Adjustments

- (1) The Exchange may make adjustments in respect of a Single Stock Futures Contract in accordance with the provisions on adjustments provided in the Contract Specifications in the event the issuer of its underlying stock undertakes a corporate exercise.
- (2) In the event of any corporate exercise in respect of the underlying stocks for which an adjustment is not provided in the Contract Specifications, but is considered by the Exchange to be appropriate under the circumstances, the Exchange may make adjustments as it deems fit.

9.12 Stock Option Contract

For the purpose of Rules 9.13 and 9.14, “underlying share” means the securities which are the subject of the Stock Option Contract.

9.13 Stock Option Contracts no longer Offered for Trading

If the underlying share used for a Stock Option Contract is de-listed or its trading is suspended or halted in the Underlying Market by the relevant stock exchange, or in any other circumstances deemed fit by the Exchange, the Exchange may take any one or more of the following actions:

- (a) withdraw the Contract from being offered for trading;
- (b) suspend trading of the Contract;
- (c) not open for trading any additional Contracts;
- (d) direct any actions to be taken in respect of the Contract; or
- (e) any other action which the Exchange deems fit in the circumstances.

9.14 Adjustments

- (1) The Exchange may make adjustments in respect of a Stock Option Contract in accordance with the provisions on adjustments provided in the Contract Specifications in the event the issuer of its underlying share undertakes a corporate exercise.
- (2) In the event of any corporate exercise in respect of the underlying share for which an adjustment is not provided in the Contract Specifications, but is considered by the Exchange to be appropriate under the circumstances, the Exchange may make adjustments as it deems fit.

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PART D RULES APPLICABLE TO OPTIONS

9.15 Application

Rules 9.16 to 9.18 are only applicable to Options.

9.16 Premiums and Margins

- (1) The obligation to pay premiums accrues from the day an Option comes into existence.
- (2) If a Client is a buyer of an Option, its Trading Participant must collect premiums from the Client in accordance with the requirements in Rule 4.21.
- (3) If a Client is a seller of an Option, its Trading Participant must obtain margin from the Client in accordance with the requirements in Rule 4.18 unless otherwise specified by the Exchange. The Client will be credited with the premiums due from its Trading Participants within such period that the Exchange may prescribe.

9.17 Exercise Price

- (1) Exercise Prices of an Option will be set by the Exchange and fixed at:
 - (a) a level which is reasonably close to the price of the underlying Instrument at the time the series of Options were introduced for trading; and
 - (b) levels above and below the level that is mentioned in paragraph (a) as determined by the Exchange.
- (2) Exercise Prices may be introduced or removed as the price of the underlying Instrument moves from the initial or existing Exercise Prices range.

9.18 Option Exercise

- (1) An Option may either be a European Style Option or an American Style Option as prescribed in the Contract Specifications of that Contract and must be exercised in accordance with the Clearing House Rules.
- (2) A buyer of an Option may exercise the Option:
 - (a) in the case of a European Style Option, on the Expiration Date; or
 - (b) in the case of an American Style Option, on or before the Expiration Date,subject to and in accordance with Rule 6.07 and any other terms agreed between the Client and the Trading Participant where applicable.
- (3) To exercise an Option, an Exercise Notice must be lodged with the Clearing House within the period specified in Rule 9.18(2) or on such other date and at such time that the Clearing House may prescribe.
- (4) On the Expiration Date of an Option, unless otherwise instructed by a buyer of an Option, an Option which is in the money by such amount as the Exchange may determine (with the agreement of the Clearing House) will automatically be exercised in accordance with the Clearing House Rules.

- (5) Notwithstanding the other provisions in this Rule 9.18, the Exchange may impose a restriction on the exercise of any Option on the grounds that such restriction is deemed necessary in the interests of maintaining an orderly and fair market, or is otherwise in the public interest, or for the protection of investors.

[End of Chapter 9]