

accordance with the Clearing House Regulations, then upon registration of the Market Contract in the name of that Clearing Member client by the Clearing House, all Client Contracts relating to that Market Contract shall be deemed never to have arisen except the Client Contract that has arisen between the Clearing Member client in whose name the Market Contract is registered and its client, if any, and any successive Client Contracts related to the same Market Contract.

- (c) The provisions of Rules 32.2(a)(ii) and 32.2(b) shall also apply (with all necessary modifications) where the Exchange Broker or Clearing Member client is acting for a client who is also a Clearing Member or where any successive client who is a Clearing Member is acting for a client who is also a Clearing Member.
- 32.3 (a) Upon registration of a Market Contract by the Clearing House it will, by virtue of the Clearing House Regulations, immediately be replaced by two Open Contracts (both of which will be subject to the Clearing House Regulations and be otherwise on the same terms as the Market Contract replaced by them) one between the original selling Public Broker (or any other Clearing Member to whom the sold position has been allocated) and the Clearing House (as buyer) each as principal, and the other between the original buying Public Broker (or any other Clearing Member to whom the bought position has been allocated) and the Clearing House (as seller) each as principal.
- (b) Except as required by law, by the Clearing House Regulations, or by these Rules neither the Clearing House nor the Company shall be obliged to recognise the interest of any other person in any Market Contract or Open Contract except the parties referred to in Rule 32.3(a).
- (c) A Client Contract shall automatically be varied, terminated, exercised, settled, closed out or otherwise affected in the same way, and at the same time, as the Market Contract or Open Contract to which it relates is varied, terminated, exercised, settled, closed out or otherwise affected by reason of the operation of these Rules or the Clearing House Regulations, or by reason of any action taken by the Company under these Rules or the Clearing House under the Clearing House Regulations, or for any other reason.
- (d) Without limiting Rule 32.3(c), when an Open Contract is settled and replaced by a new contract pursuant to the settlement to market procedure prescribed by the Clearing House Regulations, the related Client Contract shall automatically be settled at the same time and price and replaced by a new Client Contract between the Public Broker concerned and the client, which will similarly be subject to the provisions of this Rule 32.3.
- (e) If registration of an Open Contract is transferred to another Clearing Member in accordance with the Clearing House Regulations, any related Client Contract shall automatically be transferred to the same Clearing Member and the transferor Clearing Member must transfer to the transferee Clearing Member any cover held in respect of that Client Contract.

33. CLIENT PRIORITY AND ALLOCATION

- 33.1 Except as provided in Rule 32, an Exchange Broker shall not offer or allocate to a client any contract related to a Contract already obtained on the Exchange, other than pursuant to instructions previously received from that client.
- 33.2 Orders received from clients, and orders for an Exchange Broker's own account, must immediately be entered by

the Exchange Broker in the sequence in which they are received and recorded, unless it would be fair and equitable to enter those orders on a different basis. Where a different basis is used, the Exchange Broker shall clearly define that basis and apply it to all instructions and orders without giving any preference to any orders for its own account.

33.3 If an Exchange Broker has:

- (a) a material interest, whether direct or indirect, in any proposed transaction for a client or in the fact of its being effected (other than the interest arising solely from the Exchange Broker's participation as Exchange Broker therein); or
- (b) a relationship with another person which may place the Exchange Broker in a position where its duty to, or its interest in relation to, that other person conflicts with its duty to the client;
- it shall not do anything which is, or is likely to be, unfairly prejudicial to the client.

34. CALLING OF MARGINS BY PUBLIC BROKERS

- 34.1 (a) A Public Broker shall call an initial margin from each client upon trading a Contract as a consequence of an order received from that client, unless in the case of a Market Contract entered into on the Exchange the client is a Clearing Member and the Market Contract has been allocated to that Clearing Member in accordance with the Clearing House Regulations.
- (b) The minimum initial margin to be called in respect of a Client Contract is an amount equal to the initial margin amount determined from time to time by the Clearing House in respect of the related Market Contract, provided that in the case of a bought option Contract, whether put or call, the maximum initial margin shall not exceed the amount of the contract premium.
- (c) The liability of a client for payment of an initial margin arises when a Contract is traded by a Public Broker as a consequence of an order received from the client, irrespective of the time when the call is made.
- 34.2 (a) Subject to Rule 34.2(b), a Public Broker may call variation margins from a client, unless in the case of a Market Contract the client is a Clearing Member and the Market Contract has been allocated to that Clearing Member in accordance with the Clearing House Regulations.
- (b) A Public Broker shall call variation margins from each client when the client's net margin position exceeds 25% of the clients' liability for initial margins. Notwithstanding the provisions of Rule 34.1 the minimum aggregate amount of margins which a Public Broker must call from a client in respect of the client's overall position under Client Contracts shall not be less than the aggregate margins that would be called by the Clearing House if that client was a Clearing Member holding only that overall position except where the aggregate amount of margins to be called would be \$1,000 or less in which event the making of a call shall be at the discretion of the Public Broker.
- (c) The liability of a client for payment of a variation margin arises at the time the margin comes into existence, irrespective of the time when the call is made.
- 34.3 (a) A call by a Public Broker for a margin must be satisfied by payment unless the Public Broker agrees to accept, and receives, Approved Securities.