

Amendments to OTC Clear's Clearing Rules and Procedures

OTC Clear Rates and FX Derivatives Clearing Rules

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1 Position Account	
“Client Clearing Services”	means the clearing services provided by a Clearing Member to its Clients so as to enable the Clearing Member’s Clients to access the Rates and FX Clearing Services provided by OTC Clear;
“Client Clearing Services Notice”	means the notice which a Clearing Member shall deliver to its Client(s) prior to the provision of Client Clearing Services to such Client(s) in the form prescribed by OTC Clear;
“Client Entitlement”	has the meaning given to it in Clearing Rule 1307(2)(a)(A);
“CM Branch”	means a branch of a Clearing Member;
“CM Funded Contribution Amount”	means, with respect to each Clearing Member, the amount determined for such Clearing Member in accordance with section 6.1.1 of the Clearing Procedures;
“CM Unfunded Contribution Amount”	means, with respect to each Clearing Member, its proportionate share of the Rates and FX Assessments;
“CNY”	means the lawful currency of the People’s Republic of China excluding, for the purpose of this definition only, Hong Kong, Macau and Taiwan;
“CNY (offshore)”	means the currency denomination in respect of an amount payable in Renminbi under a transaction that will be settled solely by transfer to a Renminbi bank account maintained in an Offshore CNY Center;
“CNY (offshore) Disruption Provisions”	means the “Additional Disruption Event Provisions for an Offshore Deliverable CNY Transaction dated as of October 14, 2011” as published by ISDA;
“Collateral”	means money, securities and other property as may, from time to time, be so designated by OTC Clear as permissible for Margin or Rates and FX Contribution in respect of the Rates and FX Clearing Services, in each case in such form as may be required by OTC Clear;
“Collateral Account”	has the meaning given to it in Clearing Rule 903;
“Conditional Approval Breach Period”	has the meaning given to it in Clearing Rule 308(1);
“Contract”	means a contract between OTC Clear and a Clearing Member arising in accordance with these Clearing Rules, the terms and conditions of which are the relevant Contract Terms;
“Contract Terms”	means any of the <u>Standard Rates Derivatives Contract Terms</u> , <u>Standard Cross-currency Rates Derivatives Contract Terms</u> , <u>Non Deliverable Rates Derivatives Contract Terms</u> and <u>FX Derivatives Contract Terms</u> , as applicable;
“Contractual Currency”	means:

	<p>(1) in respect of a Standard Rates Derivatives Contract or an Original Standard Rates Derivatives Transaction, the Currency in which the notional amount of such Standard Rates Derivatives Contract or Original Standard Rates Derivatives Transaction, as the case may be, is denominated;</p> <p><u>(2) in respect of a Standard Cross-currency Rates Derivatives Contract or an Original Standard Cross-currency Rates Derivatives Transaction, the Currencies in which the notional amounts of such Standard Cross-currency Rates Derivatives Contract or Original Standard Cross-currency Rates Derivatives Transaction, as the case may be, are denominated;</u></p> <p>(2)(3) in respect of a Non Deliverable Rates Derivatives Contract or an Original Non Deliverable Rates Derivatives Transaction, the "Settlement Currency" of such Non Deliverable Rates Derivatives Contract or Original Non Deliverable Rates Derivatives Transaction, as the case may be; and</p> <p>(3)(4) in respect of a FX Derivatives Contract or an Original FX Derivatives Transaction, the "Settlement Currency" of such FX Derivatives Contract or Original FX Derivatives Transaction, as the case may be,</p> <p>where "Settlement Currency" as used in paragraphs (2)(3) and (3)(4) above has the meaning given to it in the FX Definitions;</p>
<p>"Control"</p>	<p>means any Person or entity who is entitled to exercise or control the exercise of 35% or more of the voting power at general meetings of the other entity or Person, or who is in a position to control the composition of a majority of the board of directors of the other entity or Person;</p>
<p>"Currency Cum MTM(t)"</p>	<p>means, with respect to each OTC Clear Clearing Day t during the Loss Distribution Period and a currency, the sum of Currency MTM Chg relating to the Currency Payment in such currency for each OTC Clear Clearing Day from (and including) the DMP Day to (and including) such OTC Clear Clearing Day t;</p>
<p>"Currency Cum VM Flow(t)"</p>	<p>means, with respect to each OTC Clear Clearing Day t during the Loss Distribution Period and a currency, the total sum, if any, actually paid by OTC Clear to such Non-Defaulting Clearing Member (expressed as a positive number) or by such Non-Defaulting Clearing Member to OTC Clear (expressed as a negative number) in respect of the Currency VM Flow in such currency from (and including) the DMP Day to (and including) such OTC Clear Clearing</p>

	Day t. Currency Cum VM Flow(t-1) shall be the value for Currency Cum VM Flow(t) calculated on the OTC Clear Clearing Day immediately preceding OTC Clear Clearing Day t during the Loss Distribution Period, provided that where OTC Clear Clearing Day t is the DMP Day, Currency Cum VM Flow(t-1) shall be zero;
“Currency Day”	means, in respect of a currency (including any Contractual Currency), a day on which commercial banks and foreign exchange markets in places where payment or settlement of such currency is normally settled are open for general business (including dealings in foreign exchange and foreign currency deposits);
“Currency MTM Chg(t)”	means, with respect to each OTC Clear Clearing Day t during the Loss Distribution Period and a currency, the Currency Payment in such currency (converted, where applicable, into the Base Currency at the Latest Exchange Rate determined on such OTC Clear Clearing Day t) which would be paid by OTC Clear to such Non-Defaulting Clearing Member (expressed as a positive number) or by such Non-Defaulting Clearing Member to OTC Clear (expressed as a negative number) on such OTC Clear Clearing Day;
“Currency Pair”	means a currency pair the quotation of which provides the relative value of a currency unit against the unit of another currency;
<u>“Currency Pair (swap)”</u>	<u>means, in respect of an Original Standard Cross-currency Rates Derivatives Transaction or a Standard Cross-currency Rates Derivatives Contract, the currency pair in which the notional amounts are denominated;</u>
“Currency Payment”	means, in respect of any OTC Clear Clearing Day and a currency, the aggregated amount which would be paid by OTC Clear to a Non-Defaulting Clearing Member (expressed as a positive number) or by such Non-Defaulting Clearing Member to OTC Clear (expressed as a negative number) (including all Variation Margin, coupons and fees <u>but excluding payments of any Initial Exchange Amount, Final Exchange Amount and VM Reversal due on that OTC Clear Clearing Day</u>) in such currency on such OTC Clear Clearing Day without application of the VM Haircut;
“Currency VM Flow(t)”	means, with respect to each OTC Clear Clearing Day t during the Loss Distribution Period and a currency, an amount equal to the net Currency Payment in such currency for that OTC Clear Clearing Day after taking into account the additional amount payable to OTC Clear or the amount received from OTC Clear pursuant to Clearing Rule 1524(2) or 1524(3);

	<p>Derivatives Contract and vice versa; and (c) in respect of a FX Derivatives Contract, if the Clearing Member is a Reference Currency Buyer under such FX Derivatives Contract, such Clearing Member shall become the Reference Currency Seller under the new FX Derivatives Contract and vice versa, and in each case, at a price and on the terms as determined by OTC Clear in a commercially reasonable manner;</p> <p>(2) a Contract is novated from the relevant Clearing Member to another Clearing Member by agreement between OTC Clear and such other Clearing Member in a commercially reasonable manner; or</p> <p>(3) a Contract is terminated at a price and on the terms determined by OTC Clear in a commercially reasonable manner;</p>
“EMTA”	means the Emerging Markets Trade Association;
“EMTA Template”	has the meaning given to it in Clearing Rule 2404;
“Encumbrance”	means any claim, charge, mortgage, security, lien, equity, beneficial interest, power of sale, option or other right to purchase, usufruct, hypothecation, retention of title, right of pre-emption or other third party right or security interest of any kind or an agreement to create any of the foregoing;
“Equal Bidder”	means, with respect to an Auction Portfolio, a Bidder, other than the Successful Bidder, who has submitted a Bid the value of which is exactly the same as the Successful Bid for such Auction Portfolio;
“Error Contract”	has the meaning given to it in Clearing Rule 814;
“Event of Default”	has the meaning given to it in Clearing Rule 1301;
“Excess Margin”	means, in relation to a Clearing Member and any of its House Position Account or Client Clearing Category 1 Position Account(s), the amount by which its Margin Balance exceeds the aggregate value of its Initial Margin requirements, Additional Margin requirements and Variation Margin requirements in respect of any Routine Intra-day VM Call (but excluding any requirements in respect of end-of-day Variation Margin or Ad Hoc Intra-day VM Call), in each case, applicable to the relevant House Position Account or Client Clearing Category 1 Position Account;
“Expected Uncollateralized Loss”	has the meaning given to it in section 6.1.1(4) of the Clearing Procedures;
“Failure to Pay Notice”	has the meaning given to it in Clearing Rule 1317;
“Final Exchange Amount”	<u>has the meaning given to it in the ISDA Definitions;</u>

“Final Exchange Date”	has the meaning given to it in the ISDA Definitions;
“Final Order Notice”	has the meaning given to it in Clearing Rule 1414;
“Financial Emergency”	means, with respect to any Clearing Member, any situation in which the financial or operational condition of such Clearing Member is not or is likely not to be adequate for such Clearing Member to meet its obligations (including, without limitation, its obligations to comply with these Clearing Rules) or to engage in business, or is such that it would not be in the best interests of OTC Clear or the marketplace for such Clearing Member to continue to be a Clearing Member;
“Financial Resources Rules”	means Securities and Futures (Financial Resources) Rules (Laws of Hong Kong Cap. 571N);
“Force Majeure Event”	means any event beyond the control of any of OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear or any of their respective Representatives, or the relevant Clearing Member which may hinder, prevent or render it impossible or impracticable for OTC Clear or the relevant Clearing Member to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Contract or to comply with other material provision of the Clearing Documentation and/or Contract Terms under such Contract, and may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labor disputes, mechanical breakdowns, failures in the payment systems or settlement systems, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by Clearing Members), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal;
“Former Clearing Member”	means, at any time, a Person who was a Clearing Member but a Membership Termination Date has occurred in respect of it prior to such time;
“Full First Calculation Period”	has the meaning given to it in the 2004 ISDA Novation Definitions, as published by ISDA;
“FXC”	means The Foreign Exchange Committee;
“FX Derivatives”	means the types of derivative transactions identified as such in accordance with Chapter 3 of the Clearing Procedures;
“FX Derivatives Clearing”	means the service provided by OTC Clear in respect of

“Hong Kong Trade Repository – Matching and Confirmation” or “HKTR-MC service”	means the matching and confirmation service provided by HKMA for over-the-counter derivatives transactions;
“Hong Kong”	means the Hong Kong Special Administrative Region;
“Hong Kong dollars” or “HK\$”	means the lawful currency of Hong Kong;
“House Account”	means a House Position Account or House Collateral Account;
“House Business”	means Contracts recorded in the House Position Account of a Clearing Member;
“House Collateral Account”	means, in respect of a House Position Account opened in the name of a Clearing Member, an account opened in the books of OTC Clear for the purposes of recording the type(s) and amount of Collateral attributed by OTC Clear to such House Position Account in accordance with these Clearing Rules;
“House Position Account”	has the meaning given to it in Clearing Rule 902(1);
“Illegality”	means due to the adoption of, or any change in, any Applicable Laws after the date on which a Contract is registered by OTC Clear, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or Regulatory Authority with competent jurisdiction of any Applicable Laws after such date, it becomes unlawful for a Clearing Member and/or OTC Clear who are a party to the Contract to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Contract or to comply with other material provision of the Clearing Documentation and/or Contract Terms;
“Increased Risk”	has the meaning given to it in Clearing Rule 1510;
“Indebtedness”	means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of payment or, repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit) or any Derivative Transaction;
“Information Barrier”	means an information barrier established within different divisions of a firm to ensure any and all applicable confidentiality obligation is respected in order to avoid any conflict of interest;
<u>“Initial Exchange Amount”</u>	<u>has the meaning given to it in the ISDA Definitions;</u>

<u>"Initial Exchange Date"</u>	has the meaning given to it in the ISDA Definitions;
"Initial Margin"	means, with respect to each Clearing Member and a Position Account, an amount required to cover OTC Clear's potential future exposure in respect of such Position Account, as calculated in accordance with section 4.2 of the Clearing Procedures;
"Initial Order Notice"	has the meaning given to it in Clearing Rule 1408;
"Insolvency Proceedings"	<p>means where an entity:</p> <ol style="list-style-type: none"> (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition: (a) results in a judgment of insolvency or bankruptcy, or the entry of an order for relief, or the making of an order for winding-up or liquidation; or (b) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets; (7) has a secured party take possession of all or substantially all its assets, or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained in each

Period	
<u>“Mitigating Measures”</u>	means the measures set out in sub-paragraphs (ii)(b), (ii)(c) and (ii)(d)(B) of section 3.14 of the Clearing Procedures;
“NDCM GF”	has the meaning given to it in Clearing Rule 1913(4);
“NDCM GF Auction Shortfall”	means, with respect to an Auction Portfolio, the amount by which (1) the remaining Auction Losses relating to such Auction Portfolio after utilization of the OTC Clear First Contribution in full pursuant to Clearing Rule 1914(3) exceeds (2) the product of RAP and NDCM GF (each relating to such Auction Portfolio);
“NDCM GF Auction Surplus”	means, with respect to an Auction Portfolio, the amount by which (1) the product of RAP and NDCM GF (each relating to such Auction Portfolio) exceeds (2) the remaining Auction Losses relating to such Auction Portfolio after utilization of the OTC Clear First Contribution in full pursuant to Clearing Rule 1914(3);
“ND IRS Amendment”	has the meaning given to it in Clearing Rule 2308;
“ND IRS Definitions”	has the meaning given to it in Clearing Rule 2303;
“ND IRS Template”	has the meaning given to it in Clearing Rule 2304;
“No Position NDCM”	means, with respect to an Auction Portfolio, a Non-Defaulting Clearing Member who does not, on any day during the 20 OTC Clear Business Day-period immediately preceding the Auction of such Auction Portfolio, have any Contract registered in its name of a Transaction Category which is the same as any Auction Positions within such Auction Portfolio and who chooses not to bid for such Auction Portfolio;
“Non-Bidder”	means a Non-Defaulting Clearing Member who is required to bid for an Auction Portfolio but fails to do so;
“Non-Defaulting Clearing Member”	means at any time, any Clearing Member who is not a Defaulting Clearing Member at such time;
“Non-Default Unwind”	means, in relation to a Clearing Member, the process by which the Clearing Member unwinds its Contracts through a liquidation or other form of close-out of its Contracts as part of the resignation of a Clearing Member’s Membership;
“Non Deliverable Rates Derivatives”	means the types of derivative transactions <u>satisfying the Product Eligibility Requirements for Non Deliverable Rates Derivatives set out in accordance with Chapter 3 section 3.4</u> of the Clearing Procedures;
“Non Deliverable Rates Derivatives Contract”	means a Contract relating to Non Deliverable Rates Derivatives;
“Non Deliverable Rates Derivatives Contract”	has the meaning given to it in Clearing Rule 2301;

Terms	
<u>“Non-delivering Clearing Member”</u>	<u>means the Clearing Member responsible for a “Notional Exchange Failure”;</u>
“Non-Hong Kong Incorporated Person”	means any Licensed Corporation or Authorized Institution with jurisdiction of incorporation outside Hong Kong, or any Remotely Regulated Entity;
“Non-Porting Client”	has the meaning given to it in Clearing Rule 1707;
“Notice of Default”	has the meaning given to it in Clearing Rule 1304;
“Notice of Disciplinary Appeals Committee Hearing”	has the meaning given to it in Clearing Rule 1410;
“Notice of Disciplinary Committee Hearing”	has the meaning given to it in Clearing Rule 1406;
“Novation Date”	has the meaning given to it in the 2004 ISDA Novation Definitions, as published by ISDA;
<u>“Notional Exchange Failure”</u>	<u>means a failure by a Clearing Member (a “Non-delivering Clearing Member”) to deliver an Initial Exchange Amount or Final Exchange Amount, as the case may be, by 12:00 hours Hong Kong time on the Initial Exchange Date or Final Exchange Date respectively of a Standard Cross-currency Rates Derivatives Contract;</u>
<u>“Notional Exchange Failure Adjustment Amount”</u>	<u>Has the meaning given to it in section 3.14 of the Clearing Procedures;</u>
<u>“Notional Exchange Failure Margin”</u>	<u>has the meaning given to it in Clearing Rule 1002A;</u>
<u>“Notional Exchange Risk Limit”</u>	<u>has the meaning given to it in section 4.6.1.3 of the Clearing Procedures;</u>
“Offshore CNY Center”	means the jurisdiction specified as such by a Clearing Member or a Client to an Original Transaction, or if no Offshore CNY Center is specified by the Clearing Member or Client, as the case may be, the Offshore CNY Center shall be Hong Kong;
“open position”	means a position that arises if a Person is a party to a Contract which has not been closed and is not offset by the position arising from other Contracts to which such Person is a party;
“Original FX Derivatives Transaction”	means an Original Transaction in relation to a FX Derivatives transaction;
“Original Non Deliverable Rates Derivatives Transaction”	means an Original Transaction in relation to a Non Deliverable Rates Derivatives transaction;

<u>“Original Standard Cross-currency Rates Derivatives Transaction”</u>	means an Original Transaction in relation to a Standard Cross-currency Rates Derivatives transaction;
“Original Standard Rates Derivatives Transaction”	means an Original Transaction in relation to a Standard Rates Derivatives transaction;
“Original Transaction”	means a transaction in relation to Rates Derivatives or FX Derivatives originally entered into between two Clearing Members, a Clearing Member and a Client, or two Clients, and that is submitted for registration with OTC Clear in accordance with these Clearing Rules;
“OTC Clear”	means OTC Clearing Hong Kong Limited, a company incorporated under the laws of Hong Kong, which is a subsidiary of HKEx;
“OTC Clear Board”	means the board of directors of OTC Clear and, where the context so permits, any committee of that board;
“OTC Clear Business Day”	means a day (other than Saturday and Sunday) on which commercial banks are open for general business in Hong Kong;
“OTC Clear Clearing Day”	means, at any time, each day appearing on the OTC Clear Clearing Days Calendar that is in effect at such time;
“OTC Clear Clearing Days Calendar”	means the OTC Clear clearing days calendar published by OTC Clear which includes each day on which the Rates and FX Clearing Services is in operation, as updated from time to time;
“OTC Clear Contribution”	means OTC Clear First Contribution and OTC Clear Second Contribution together;
“OTC Clear Failure to Pay Event”	has the meaning given to it in Clearing Rule 1318;
“OTC Clear Failure to Pay Grace Period”	means the period from (but excluding) the day on which OTC Clear receives a Failure to Pay Notice from a Relevant Clearing Member to (and including) the 21st OTC Clear Business Day following such day;
“OTC Clear First Contribution”	means an amount equal to HK\$ 150 million, which represents the first tranche of the contribution payable by OTC Clear to the Rates and FX Guarantee Resources as may be replenished by OTC Clear from time to time in accordance with Clearing Rule 1511;
“OTC Clear Insolvency Event”	has the meaning given to it in Clearing Rule 1322;
“OTC Clear Second Contribution”	means an initial amount of HK\$ 6 million which may be built up to a maximum value of HK\$ 650 million as described in section 6.4 of the Clearing Procedures, and represents the second tranche of the contribution payable by OTC Clear to

"Rates and FX Contribution Balance"	means, with respect to each Clearing Member, the aggregate value of its Rates and FX Contribution, which is subject to application in accordance with Chapter 13, Chapter 15 and Chapter 19 of these Clearing Rules;
"Rates and FX Contribution Determination Date"	means each of the days referred to in Clearing Rule 1503;
"Rates and FX Contribution Excess"	means, in relation to a Clearing Member, the amount (if any) by which its Rates and FX Contribution Balance exceeds its Rates and FX Liability;
"Rates and FX Guarantee Fund"	means, at any given time, the aggregate value of all CM Funded Contribution Amounts at such time;
"Rates and FX Guarantee Resources"	means the aggregate of the Rates and FX Guarantee Fund, Rates and FX Assessments and OTC Clear Contribution;
"Rates and FX Liability"	means, in respect of a Clearing Member, the aggregate of its CM Funded Contribution Amount and, if demanded in accordance with Clearing Rule 1507, its CM Unfunded Contribution Amount;
"Rates and FX Loss"	has the meaning given to it in Clearing Rule 1515;
"Rates and FX Minimum Contribution Amount"	means the amount set out in section 6.1.1(i) of the Clearing Procedures;
"Rates Derivatives"	means <u>Standard Rates Derivatives</u> , <u>Standard Cross-currency Rates Derivatives</u> and Non Deliverable Rates Derivatives together;
"Rates Derivatives Clearing Services"	means the service provided by OTC Clear in respect of clearing Rates Derivatives transaction in the over-the-counter derivatives market in accordance with the Clearing Documentation;
"Rates Derivatives Contract"	means a Contract relating to Rates Derivatives;
"recognized exchange controller"	has the same meaning as in the SFO;
"Registration Time"	means, with respect to each Contract, the time shown in the "OTC Clear Trade Report (Report Number TDRP01 or TDRP02)" as the "Registration Time";
"Regulated Exchange"	means any exchange or similar body duly authorized, regulated, recognized or licensed (to the extent necessary) under Applicable Laws in any jurisdiction, including, but not limited to, any recognized exchange company, recognized investment exchange, recognized overseas investment exchange, designated investment exchange, designated contract market, exempt commercial market, regulated market, alternative trading system, multilateral trading facility

“SFO”	means the Securities and Futures Ordinance (Laws of Hong Kong Cap. 571);
“Special Default Account”	means the book-keeping account of OTC Clear for the purpose of recording the notional portfolio of trades the economic terms of which is the same as the portfolio of Contracts registered in the name of a Defaulting Clearing Member immediately prior to the occurrence of an Automatic Early Termination Event or delivery of a Notice of Default, but excluding any Affected Contract registered in the name of such Defaulting Clearing Member which have been successfully ported in accordance with Chapter 17 of these Clearing Rules. For the avoidance of doubt, if a DMP Event has occurred with respect to more than one Clearing Member, and the relevant Default Management Processes are continuing, there will be one notional portfolio created on the Special Default Account for each relevant Defaulting Clearing Member;
<u>“Standard Cross-currency Rates Derivatives”</u>	<u>means the types of derivative transactions satisfying the Product Eligibility Requirements for Standard Cross-currency Rates Derivatives set out in section 3.4 of the Clearing Procedures;</u>
<u>“Standard Cross-currency Rates Derivatives Contract”</u>	<u>means a Contract relating to Standard Cross-currency Rates Derivatives;</u>
<u>“Standard Cross-currency Rates Derivatives Contract Terms”</u>	<u>has the meaning given to it in Clearing Rule 2501;</u>
“Standard Rates Derivatives”	means the types of derivative transactions <u>satisfying the Product Eligibility Requirements for Standard Rates Derivatives identified as such set out in accordance with Chapter section 3.4</u> of the Clearing Procedures;
“Standard Rates Derivatives Contract”	means a Contract relating to Standard Rates Derivatives;
“Standard Rates Derivatives Contract Terms”	has the meaning given to it in Clearing Rule 2201;
“Successful Bid”	means a Bid that has been accepted by OTC Clear pursuant to Clearing Rule 1919 and the Clearing Procedures;
“Successful Bidder”	means a Bidder of a Successful Bid;
“SWIFT”	means the secured messaging services platform and interface software provided by the Society for Worldwide Interbank Financial Telecommunication;
“t”	means an OTC Clear Clearing Day t;

	Clearing Day from (from including) the DMP Day to (and including) such OTC Clear Clearing Day t;
“Total Position Accounts Currency MTM(t)”	means, with respect to each OTC Clear Clearing Day t during the Loss Distribution Period, the sum of Currency MTM Chg(t) in respect of all Position Accounts of all Non-Defaulting Clearing Members;
“Tranche”	has the meaning given to it in Clearing Rule 1914(4)(c);
“Transaction Category”	<p>means any of the following:</p> <ol style="list-style-type: none"> (1) Standard Rates Derivatives Contract – single currency interest rate swap denominated in USD; (2) Standard Rates Derivatives Contract – single currency interest rate swap denominated in EUR; (3) Standard Rates Derivatives Contract – single currency interest rate swap denominated in HK dollars; (4) Standard Rates Derivatives Contract – single currency interest rate swap denominated in CNY (offshore); (5) Standard Rates Derivatives Contract – single currency basis swap denominated in USD; (6) Standard Rates Derivatives Contract – single currency basis swap denominated in EUR; <u>(7) Standard Cross-currency Rates Derivatives Contract – cross currency interest rate swap denominated in CNY (offshore) and USD;</u> <u>(8) Standard Cross-currency Rates Derivatives Contract – cross currency basis swap denominated in CNY (offshore) and USD;</u> (7)(9) Non Deliverable Rates Derivatives Contract denominated in CNY; (8)(10) FX Derivatives Contract denominated in CNY; (9)(11) FX Derivatives Contract denominated in INR; (10)(12) FX Derivatives Contract denominated in KRW; and (11)(13) FX Derivatives Contract denominated in TWD;
“Transaction Data”	means, in respect of an Original Transaction, the economic terms relating to such Original Transaction as designated by the Clearing Member(s) or Client(s) to such Original Transaction;
“Transaction Register”	means any database available to OTC Clear for retrieval of records of Contracts;

"Typhoon Signal Number 3"	means the number 3 tropical cyclone warning signal issued by The Hong Kong Observatory;
"Typhoon Signal Number 8"	means the number 8 tropical cyclone warning signal issued by The Hong Kong Observatory;
"U.S. Person"	has the same meaning as is given to that term by the CFTC;
"Variation Margin"	means, in respect of each Clearing Member's House Position Account and Client Clearing Category 1 Position Account(s), the aggregate amount (including any Intra-day Variation Margin) determined by OTC Clear in accordance with Clearing Rules 1206 and 1207 and the Clearing Procedures on each OTC Clear Clearing Day, which is payable to, or receivable by, the Clearing Member in respect of such House Position Account and Client Clearing Category 1 Position Account(s), respectively;
"VM Flow Adjustment(t)"	means either the Gainer VM Flow Adjustment(t) or Loser VM Flow Adjustment(t), as applicable;
"VM Reversal"	<p><u>means, in respect of a Standard Cross-currency Rates Derivatives Contract that expires on an OTC Clear Clearing Day, the amount which would be paid by OTC Clear to a Non-Defaulting Clearing Member (expressed as a positive number) or by such Non-Defaulting Clearing Member to OTC Clear (expressed as a negative number) on such OTC Clear Clearing Day, calculated by:</u></p> <p><u>(1) aggregating the amount of Variation Margin, in relation to the change in market value of Initial Exchange Amount and Final Exchange Amount, paid by such Clearing Member to OTC Clear during the term of such Standard Cross-currency Rates Derivatives Contract (excluding the amount of any Variation Margin calculated in respect of the expiry date); and</u></p> <p><u>(2) subtracting the aggregate amount of Variation Margin, in relation to the change in market value of Initial Exchange Amount and Final Exchange Amount, paid by OTC Clear to such Clearing Member during the term of such Standard Cross-currency Rates Derivatives Contract (excluding the amount of any Variation Margin calculated in respect of the expiry date);</u></p> <p><u>For the avoidance of doubt, Variation Margin, in relation to the change in market value of coupons, paid or received by OTC Clear during the term of such Standard Cross-currency Rates Derivatives Contract will not form part of the VM Reversal.</u></p>
"VM Haircut(t)"	means, on each OTC Clear Clearing Day t during the Loss Distribution Period, an amount equal to the (1) VM

611. Termination of a Clearing Member's Membership shall not affect the validity and operation of Clearing Rules 212 to 214, 609, 612, 613, 1002A, 1220, 1316, 1529, 1538 and 1547, which shall survive termination of a Clearing Member's Membership.
612. Following its Membership Termination Date, a Former Clearing Member shall be entitled to the redelivery of Collateral in form and amount equal to the Rates and FX Contribution delivered by such Clearing Member, to the extent not applied in accordance with Chapter 15 and Chapter 19 of these Clearing Rules, and subject to, and in accordance with, the provisions of Clearing Rules 1546 and 1547.

Former Clearing Members

613. OTC Clear and any Former Clearing Member shall remain:
- (1) subject to any arbitration, investigations, panels or proceedings, and provisions of any of the Clearing Documentation which relate in whole or in part to any acts or omissions of OTC Clear or the Former Clearing Member while it was a Clearing Member; and
 - (2) liable in respect of all cash payment obligations including fees, levies, duties, fines, charges and payments under the Clearing Documentation, amounts due to OTC Clear or the Former Clearing Member as a result of the Clearing Documentation and any other liabilities entered into and accrued prior to the relevant Membership Termination Date.

Chapter 10 Payments

Contract Payments

1001. Each Clearing Member and OTC Clear shall pay all amounts due under the relevant Contract Terms in respect of a Contract at the times and in such amounts as are required pursuant to the Contract Terms and the Clearing Documentation.

Margin and Rates and FX Contribution

1002. Each Clearing Member shall make any payment to OTC Clear in respect of Margin and Rates and FX Liability from time to time in accordance with Chapter 12 and Chapter 15 of these Clearing Rules.

Reimbursement of Costs and Expenses

1002A Upon the occurrence of a Notional Exchange Failure OTC Clear may, in its absolute discretion, effect Mitigating Measures under section 3.14 of the Clearing Procedures in respect of that Notional Exchange Failure. The Non-delivering Clearing Member in respect of a Notional Exchange Failure shall:

- (1) immediately upon demand by OTC Clear, indemnify OTC Clear against all fees, liabilities or Damage incurred by OTC Clear as a result of it effecting any Mitigating Measures in respect of that Notional Exchange Failure; and
- (2) for the purpose of collateralising its liabilities to OTC Clear (including its obligation to indemnify OTC Clear pursuant to Clearing Rule 1002A(1)), provide Collateral in the form of cash on an outright transfer basis, in such amount and at such time as may be requested by OTC Clear ("Notional Exchange Failure Margin").

If a Clearing Member fails to comply with this Rule, OTC Clear may, on the basis of such failure, determine that that Clearing Member is or appears to be unable, or likely to become unable, to meet its obligations in respect of the Clearing Documentation and/or one or more Contracts to which it is party, such that an Event of Default occurs with respect to that Clearing Member pursuant to Clearing Rule 1301.

Default Interest

1003. If a Clearing Member defaults in the performance of any of its payment obligations, it will, to the extent permitted by Applicable Laws, pay interest on the overdue amount in the currency in which such debt is owed at the Default Interest Rate, such interest will accrue daily during the period from (and including) the original due date for payment to (but excluding) the date of actual payment. In the event that OTC Clear suffers any Damage as a result of the non-performance of a payment obligation by a Clearing Member, OTC Clear, its Affiliate and a recognized exchange controller which is the controller of OTC Clear shall be entitled to be indemnified by such Clearing Member against any Damage reasonably incurred by it pursuant to Clearing Rule 1316.

Interest Rates

1004. Any alteration in the basis of calculating interest rates under Clearing Rule 1003 shall become effective on the date designated and notified by OTC Clear to the Clearing Members.

Chapter 12 Margin

Margin and Collateral

1201. Each Clearing Member shall, in respect of each Contract registered in its name, pay or provide, on demand by OTC Clear, Collateral in respect of Margin in such amounts, in such forms and at such times in accordance with the Clearing Procedures.
1202. OTC Clear will determine the amount of Initial Margin, Additional Margin and Variation Margin payable by or (in some cases in respect of Variation Margin) to each Clearing Member in accordance with the Clearing Procedures.
1203. Margin (including Initial Margin, Additional Margin and Variation Margin) in respect of the House Position Account and each Client Clearing Category 1 Position Account, if any, of a Clearing Member will be calculated by OTC Clear separately and shall be satisfied by a Clearing Member in the manner set out in the Clearing Procedures.

Initial Margin, Additional Margin, Variation Margin, and Intra-day Variation Margin

1204. Each Clearing Member shall deliver sufficient Collateral as Margin as a pre-condition for registration of an Original Transaction by OTC Clear.
1205. OTC Clear shall calculate and, where appropriate, demand Initial Margin on each OTC Clear Clearing Day. In addition, OTC Clear may, from time to time, in its absolute discretion and on any OTC Clear Clearing Day, make an intra-day call for Initial Margin.
1206. OTC Clear shall calculate the Variation Margin payable by or to a Clearing Member on each OTC Clear Clearing Day. If such calculation indicates an increase in the Variation Margin payable by a Clearing Member, OTC Clear will be entitled to demand additional Collateral from such Clearing Member.
1207. OTC Clear may on any OTC Clear Business Day demand Routine Intra-day Variation Margin from one or more Clearing Members. In addition, OTC Clear may on any OTC Clear Clearing Day demand from, or pay to, a Clearing Member Ad Hoc Intra-day Variation Margin. The amount of any Routine Intra-day Variation Margin or Ad Hoc Intra-day Variation Margin shall be calculated by OTC Clear using such methods as prescribed in the Clearing Procedures.
1208. OTC Clear may impose Additional Margin requirements on any Clearing Member in the circumstances described in section 4.5 of the Clearing Procedures, and may, at its discretion amend or withdraw any such Additional Margin requirements on any Clearing Member.

Margin Settlement

1209. Save where the Clearing Procedures require otherwise, Initial Margin and Additional Margin requirements (other than Notional Exchange Failure Margin requirements) may be satisfied by payment in cash in any Eligible Currency, or by delivery of non-cash assets specified pursuant to section 7.3 of the Clearing Procedures.
1210. Save where the Clearing Procedures require otherwise, and subject to Clearing Rule 1211, Variation Margin requirements must be satisfied by payments in cash in

may have in any Collateral provided by, or on behalf of, such Clearing Member to OTC Clear. The operations of section 56(1) of the SFO shall be modified by this Clearing Rule 1219 as permitted under section 56(2) of the SFO.

1220. Each Clearing Member represents and warrants to OTC Clear that:

- (1) immediately prior to delivery of the Collateral to OTC Clear, the Clearing Member is the sole legal and beneficial owner of all Collateral delivered to OTC Clear, or the Clearing Member has obtained unconditional consent from the legal and beneficial owner of the Collateral for the use or application of such Collateral by the Clearing Member in accordance with these Clearing Rules;
- (2) any Collateral delivered to OTC Clear pursuant to these Clearing Rules is not subject to any Encumbrance whatsoever save for:
 - (a) any Encumbrance in favour of OTC Clear;
 - (b) any liens granted to the clearing systems through which the Collateral is being transferred; and
 - (c) the assignment of right to the Client to receive any Client Entitlement from OTC Clear under the Security Assignment Deed relating to such Collateral; and
- (3) in delivering the Collateral to OTC Clear pursuant to these Clearing Rules, the Clearing Member is not in breach of any of its contractual obligations towards any third party or under any Applicable Laws.

The representations and warranties made by a Clearing Member pursuant to this Clearing Rule 1220 shall be deemed to be repeated by such Clearing Member on each day Collateral is delivered to OTC Clear pursuant to these Clearing Rules.

1221. A Clearing Member shall be liable to OTC Clear for any Damage incurred by OTC Clear as a result of OTC Clear possessing, holding, perfecting the title to or otherwise being associated with, any Collateral delivered by such Clearing Member.

Position Limits

1222. Pursuant to section 4.6.1 of the Clearing Procedures, unless with the prior written approval from OTC Clear, each Clearing Member is required to impose a House Account Limit in respect of its House Position Account and a Client Account Limit in respect of each of its Client Clearing Category 1 Position Accounts, provided that OTC Clear may, at any time and from time to time, in its absolute discretion, in respect of each Position Account, override, amend or revoke any such Position Limits and/or impose an Absolute Risk Limit and/or a Notional Exchange Risk Limit.

1223. If a Clearing Member exceeds any Position Limits imposed, that Clearing Member must immediately notify OTC Clear and take appropriate steps to ensure that, within such period as OTC Clear may specify, it is in compliance with such Position Limits. In addition, OTC Clear may, at its discretion:

- (1) require a Clearing Member to terminate or liquidate such Contracts to the extent necessary to reduce its open position(s) so as to meet its Position Limit within such time as OTC Clear may prescribe;
- (2) demand Additional Margin as OTC Clear in its discretion determines; and/or

Proceedings with respect to a Clearing Member will constitute an “**Automatic Early Termination Event**” in respect of such Clearing Member. Where an Automatic Early Termination Event has occurred with respect to a Clearing Member as a result of an event described in paragraph (1), (3), (5), (6) or, to the extent analogous thereto, (8) under the definition of Insolvency Proceedings, an Early Termination Date in respect of all Contracts then registered in the name of such Clearing Member shall occur immediately upon the occurrence of the relevant event; and where an Automatic Early Termination Event has occurred with respect to a Clearing Member as a result of an event described in paragraph (4) or, to the extent analogous thereto, (8) under the definition of Insolvency Proceedings, an Early Termination Date in respect of all Contracts then registered in the name of such Clearing Member shall occur immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition, and in each case, without the need for any other or prior notice or determination by OTC Clear. With effect from, and including, the date on which an Early Termination Date occurs with respect to all Contracts registered in a name of a Clearing Member as a result of an Automatic Early Termination Event, such Clearing Member shall become a Defaulting Clearing Member.

1304. Where an Event of Default has occurred and is continuing with respect to a Clearing Member but such Event of Default does not constitute an Automatic Early Termination Event, OTC Clear may exercise such rights it may have under these Clearing Rules (including without limitation any rights of suspension of Membership) and/or may send to the relevant Clearing Member a default notice declaring such Event of Default (the “**Notice of Default**”). With effect from, and including, the date on which such Clearing Member receives the Notice of Default, the Clearing Member shall become a Defaulting Clearing Member. OTC Clear will notify Non-Defaulting Clearing Members, the SFC and also members of the public following the occurrence of an Automatic Early Termination Event or declaration of an Event of Default with respect to a Clearing Member.
1305. Upon the occurrence of an Automatic Early Termination Event or delivery of a Notice of Default with respect to a Defaulting Clearing Member, OTC Clear may take such steps with respect to such Defaulting Clearing Member as in the circumstances appear to it, in its absolute discretion, best calculated:
- (1) to discharge the Defaulting Clearing Member’s rights, obligations and liabilities under or in respect of one or more or all Contracts to which the Defaulting Clearing Member is party;
 - (2) to minimize losses or the potential for losses to OTC Clear as a result of the default of the Defaulting Clearing Member; or
 - (3) without the need for any prior notice to or consent of such Defaulting Clearing Member:
 - (a) (where an Automatic Early Termination Event has not occurred) to terminate any Contract of the Defaulting Clearing Member by designating an Early Termination Date in respect of such Contract;
 - (b) to apply any Collateral in the form of cash, and arranging for the liquidation of any non-cash Collateral and applying the liquidation

proceeds, for the absorption of losses incurred by OTC Clear as a result of the default of the Defaulting Clearing Member;

- (c) to obtain any advice or assistance from the Defaulting Clearing Member and/or any third party as OTC Clear may deem necessary for any matter arising out of or in connection with an Event of Default and at the expense of the Defaulting Clearing Member, and/or
- (d) to complete the process set out in Clearing Rule 1306 in relation to such Defaulting Clearing Member,

in each case, acting in consultation with the Default Management Group and in accordance with the Default Management Process.

Upon the occurrence of an Automatic Early Termination Event or delivery of a Notice of Default in respect of a Clearing Member, OTC Clear shall not be obliged to: (a) pay any Notional Exchange Failure Adjustment Amount payable by it in respect of such Clearing Member; or (b) make any further payments or deliveries which would otherwise have fallen due on or after such time under any Contract registered in the name of such Clearing Member, in either case which would otherwise have fallen due on or after such time. and upon the occurrence of an Early Termination Date in respect of such Contracts, any obligations to pay such Notional Exchange Failure Adjustment Amount or to make such further payments or deliveries and any amounts that are due but unpaid under such Contracts shall be satisfied by the payment by, or to, the Defaulting Clearing Member of a single net sum to be determined in accordance with Clearing Rule 1306, provided that if a Rates and FX Clearing Termination Event occurs at any time prior to the completion of the Default Management Process with respect to a Defaulting Clearing Member, no net sum shall be payable in accordance with Clearing Rule 1306 and the applicable termination amounts shall instead be determined in accordance with Clearing Rules 1531 to 1540.

Calculations of Net Payment following a Clearing Member Event of Default

1306. Subject to Clearing Rules 1530 to 1540, subsequent to the completion of the Default Management Process with respect to a Defaulting Clearing Member and the occurrence of an Early Termination Date in respect of all of the Defaulting Clearing Member's Contracts, the single net sum payable by OTC Clear to such Defaulting Clearing Member, or by such Defaulting Clearing Member to OTC Clear shall be determined as follows:

- (1) OTC Clear will determine the trade values (as further described below in this Clearing Rule 1306) in relation to each Position Account with respect to such Defaulting Clearing Member, after taking into account all the rights and liabilities of such Defaulting Clearing Member under or in respect of the Contracts in the Position Account concerned, provided that any such trade values with respect to such Defaulting Clearing Member in relation to any Client Clearing Category 1 Position Account relating to any Non-Porting Client will be determined pursuant to Clearing Rule 1307;
- (2) all trade values as determined in accordance with sub-paragraph (1) above shall be aggregated so as to produce one single aggregate trade value. if any, which may be positive or negative. A positive trade value indicates an

GF Increase Effective Date, provided that such increased requirement will only apply in respect of the Contracts then registered in the name of such Clearing Member (excluding those which the Clearing Member has successfully unwound as part of its Non-Default Unwind prior to the GF Increase Effective Date).

For the avoidance of doubt, the Maximum Current Liability determined in respect of a Non-Defaulting Clearing Member during a Capped Liability Period will not be increased by virtue of the application of Clearing Rule 1512 and this Clearing Rule 1513.

OTC Clear Use of the Rates and FX Guarantee Resources

1514. Amounts standing to the credit of the Rates and FX Guarantee Resources may only be applied in accordance with Clearing Rule 1516 following the occurrence of a DMP Event or in the following limited circumstances:

- (1) to satisfy any amount due to OTC Clear by the Defaulting Clearing Member as a result of the occurrence of a DMP Event (including but not limited to Margin, amounts due pursuant to Contract Terms, fees, dues, assessments, fines and any costs and expenses of recovery against the Defaulting Clearing Member); or
- (2) for the purposes described in Clearing Rules 1520 and 1521.

Reduction of Losses on a DMP Event and Application of the Rates and FX Guarantee Resources

1515. The total losses suffered by OTC Clear as a result of the occurrence of a DMP Event relating to a Defaulting Clearing Member (the "Rates and FX Loss") are:

- (1) all Auction Losses relating to each Auction Portfolio constructed as a result of such DMP Event; and
- (2) any other general losses suffered by OTC Clear as a result of such DMP Event which is not attributable to a specific Auction Portfolio (the "General Losses"), including but not limited to any costs involved in entering into Hedging instruments pursuant to Rule 1803 which do not form part of the Auction Portfolio, porting Affected Contracts registered in the name of such Defaulting Clearing Member to the Replacement Clearing Member, the losses or costs incurred by OTC Clear in liquidating any non-cash Collateral, for purchasing equivalent assets for the redelivery of the Rates and FX Contribution Balance to a Clearing Member to the extent utilised pursuant to Clearing Rule 1516, for currency conversion, or as a result of payment of any interest on liquidity facilities, in each case, with respect to the Default Management Process relating to such DMP Event.

1516. OTC Clear shall be entitled to apply its resources, in any manner or order including for the avoidance of doubt in an order which is different from the order described hereunder, for satisfaction of the Rates and FX Loss during a Default Management Process invoked as a result of the occurrence of a DMP Event with respect to a Defaulting Clearing Member, provided that upon completion of the Auction of all Auction Portfolios relating to such DMP Event, it shall perform the loss allocation process set out below:

Chapter 18 Hedging

Hedging

1801. Following the occurrence of the relevant DMP Event in respect of a Defaulting Clearing Member, and subsequent to the completion of porting with respect to all Affected Contracts registered in the name of the Defaulting Clearing Member, provided that the Hedging strategies presented by the Default Management Group have been approved by OTC Clear, the Default Management Group will, on behalf of OTC Clear, conduct Hedging to mitigate, to the extent commercially practicable, any risk or economic exposure which arises as a result of the occurrence of the relevant DMP Event. Notwithstanding the immediately foregoing, OTC Clear has no obligation to conduct Hedging following the occurrence of a DMP Event. Neither OTC Clear nor the Default Management Group shall owe any fiduciary duty to any Clearing Member or any other Person in approving Hedging strategies or executing any such Hedging strategy.
1802. In executing Hedging transactions as part of the Default Management Process, the Default Management Group will take into account the risks introduced by the DMP Event to OTC Clear, other Non-Defaulting Clearing Members and the investing public, and shall at all times endeavour to obtain the best prevailing price and terms available, taking into account any constraints on the time available for execution of such Hedging.
1803. All Hedging shall be undertaken by OTC Clear for its own account ~~with Non-Defaulting Clearing Members on the basis of a separate agreement between OTC Clear and each such Non-Defaulting Clearing Member.~~ In respect of any Hedging transaction executed between OTC Clear and a Non-Defaulting Clearing Member as a hedge provider pursuant to this Chapter 18, following the novation of which is intended to form part of an Auction Portfolio, OTC Clear shall register such Hedging transaction as part of an Auction Portfolio to a Successful Bidder upon Contract. Upon completion of the Auction process, such Successful Bidder will become the counterparty OTC Clear shall create and register a Contract between OTC Clear and the Successful Bidder, with equal but opposite terms to the Non-Defaulting Clearing Member (acting as hedge provider). Each of the Successful Bidder and the Non-Defaulting Clearing Member (acting as hedge provider) shall then submit the relevant Hedging transaction for registration as Contracts with OTC Clear pursuant referred to in this Clearing Rule 806(1). 1803. In addition, for Hedging of Standard Cross-currency Rates Derivatives Contracts, other Hedging instruments may be considered by OTC Clear at its discretion for liquidity management and Hedging purposes. Such Hedging instruments shall be entered into by OTC Clear for its own account and may be entered into with entities that are not Clearing Members.
1804. For the avoidance of doubt, a single Hedging transaction cannot be split into more than one Auction Portfolio. In addition, any Hedging transactions with entities that are not Clearing Members should not be included in Auction Portfolios. Any losses or costs incurred as a result of the entering into of a Hedging transaction shall be allocated as part of the Auction Losses relating to the relevant Auction Portfolio.

Chapter 19 Auction

Auction Portfolios

1901. The purpose of the Auction process described in this Chapter 19 is to identify replacement Clearing Members who will enter into Contracts with OTC Clear with the same economic terms as Contracts registered in the name of the Defaulting Clearing Member (other than any Affected Contract that has been successfully ported pursuant to Chapter 17 of these Clearing Rules). The Auction process intends for OTC Clear to remain risk-neutral following the occurrence of a DMP Event, and to assist OTC Clear in determining the termination value of the portfolio of Contracts registered in the name of the Defaulting Clearing Member immediately prior to their termination (other than any Affected Contract that has been successfully ported pursuant to Chapter 17 of these Clearing Rules), which will be used in the calculations performed under Clearing Rule 1306.
1902. OTC Clear will, in consultation with the Default Management Group, construct one or more Auction Portfolio(s) in respect of the Auction Positions on the Auction Book.
1903. OTC Clear and the Default Management Group will exercise their discretion in constructing Auction Portfolios consisting of Auction Positions with similar risk profile, with the aim to maximize the likelihood of achieving Successful Bids at a commercially reasonable price, provided that Contracts registered to a Defaulting Clearing Member's House Position Account and Contracts registered to a Defaulting Clearing Member's Client Clearing Category 1 Position Accounts in respect of the Non-Porting Clients shall not be included in the same Auction Portfolio.
1904. The construction of Auction Portfolios will be determined by OTC Clear, in consultation with the Default Management Group, separately in respect of each DMP Event and therefore may vary from one DMP Event to another.

Auction for Multiple Auction Portfolios

1905. Each Auction Portfolio shall be subject to its own Auction.

Conduct of Auction

1906. A Non-Defaulting Clearing Member must participate in the Auction for an Auction Portfolio if it has, on any day during the 20 OTC Clear Business Day-period immediately prior to such Auction, any Contract of a Transaction Category which is the same as any ~~Auction Positions~~ Contracts registered in the name of a Defaulting Clearing Member within that Auction Portfolio. Each Bidder agrees to enter into Contracts with OTC Clear on the same terms as the Auction Positions upon acceptance by OTC Clear of its Bid.
1907. A Non-Defaulting Clearing Member who, on any day during the 20 OTC Clear Business Day-period immediately prior to the Auction of an Auction Portfolio, does not have a Contract of a Transaction Category which is the same as any ~~Auction-Position~~ Contracts registered in the name of a Defaulting Clearing Member within such Auction Portfolio shall be entitled, but is not obliged, to participate in the Auction for such Auction Portfolio.
1908. Notwithstanding Clearing Rules 1906 and 1907, a resigning Clearing Member is not required to participate in the Auction if each of:
- (1) the Initial Margin requirements (in respect of each of its House Position Account and Client Clearing Category 1 Position Accounts (if any)) shown on the end-of-day Margin report published on an OTC Clear Clearing Day; and

OTC Clear Financial Resources

1920. Following the completion of each Auction, OTC Clear shall determine whether its Total Available Resources are sufficient to meet its obligations arising from such Auction, including but not limited to the ability to credit all Successful Bidders with the relevant Auction Receivables. OTC Clear may only perform its obligations pursuant to Clearing Rules 1921 and 1922 in respect of all Auction Contracts arising from such Auction if it has reasonably determined that its Total Available Resources are sufficient. If OTC Clear determines that, even after exhausting the Total Available Resources, invoking the Loss Distribution Process described in Clearing Rules 1523 to 1528 and taking into account any Voluntary Recap Amounts received from one or more Non-Defaulting Clearing Members, it will not be able to meet all the Successful Bids received in respect of all Auction Portfolios arising out of a completed Auction, then the procedure set out in Clearing Rules 1530 to 1544 shall take effect. In such event, OTC Clear shall notify all Bidders of the failure of the Auction and the occurrence of a Rates and FX Clearing Termination Event in accordance with the Clearing Procedures and, for the avoidance of doubt, no Bidder shall be deemed to have a Successful Bid in respect of such Auction and OTC Clear shall not be permitted to register any Auction Contract with any Successful Bidder.

Registration of Auction Contracts

1921. Following the completion of the Auction process with respect to all Auction Portfolios constructed for a DMP Event, all Successful Bidders will be notified of their Successful Bids and the Auction Payment or Auction Receivable (as applicable) payable in connection the registration of Auction Contracts relating to such Successful Bids. OTC Clear will register the Auction Contracts to the account specified by each Successful Bidder. Auction Contracts will be registered in the name of the Successful Bidder by OTC Clear entering into the Auction Contracts with the Successful Bidder.

~~Notwithstanding the above, any Auction Contracts arising out of a Hedging transaction pursuant to Chapter 18 of these Clearing Rules will be registered in the name of the Successful Bidder by way of novation pursuant to Clearing Rule 1803.~~

1922. Each Successful Bidder will be required to comply with such conditions as may be required by OTC Clear, after consultation with the Default Management Group, to effect the registration of the Auction Contracts. Upon the completion of the Auction(s):

- (1) each Successful Bidder shall provide OTC Clear with Collateral to satisfy the Margin required for the registration of the Auction Contracts, such Collateral must be delivered by the Successful Bidder on or prior the relevant Auction Payment Date;
- (2) each Successful Bidder shall also pay to OTC Clear any Auction Payment on or prior to the Auction Payment Date; and
- (3) OTC Clear will pay any Auction Receivable payable to the relevant Successful Bidder(s) on or prior to the Auction Receivable Payment Date.

Failed Registration

1923. If a Successful Bidder for an Auction Contracts fails to pay in full to OTC Clear the corresponding Auction Payment or fails to provide in full the corresponding required Margin to OTC Clear, in either case, on or prior to the relevant Auction Payment Date, such failure shall constitute an Event of Default with respect to the Successful Bidder pursuant to Clearing Rule 1301.

Chapter 25 Product Specific Terms for Standard Cross-currency Rates Derivatives Contracts

Product Specific Terms for Standard Cross-currency Rates Derivatives Contracts

2501. The terms of a Standard Cross-currency Rates Derivatives Contract shall include the following terms (together, the "Standard Cross-currency Rates Derivatives Contract Terms"):

- (1) Clearing Rules 2503 to 2510 (the "Interpretation Provisions");
- (2) the Economic Terms; and
- (3) the General Terms, as set out in Clearing Rules 2517 to 2522,

each as interpreted in accordance with the Interpretation Provisions.

2502. In the event of any inconsistency between the Economic Terms and General Terms, the General Terms will prevail.

Interpretation

2503. The ISDA Definitions (including all supplements thereto outstanding as at [•] 2016) are incorporated by reference into these Standard Cross-currency Rates Derivatives Contract Terms. Unless otherwise specified, capitalized terms used in the Standard Cross-currency Rates Derivatives Contract Terms but not defined in the Clearing Documentation shall have the meanings given to them in the ISDA Definitions. In the event of any inconsistency between the ISDA Definitions and the Clearing Documentation, the Clearing Documentation will prevail.

2504. In respect of a Standard Cross-currency Rates Derivatives Contract with one of the notional amounts denominated in CNY (offshore), the CNY (offshore) Disruption Provisions shall be incorporated by reference into the relevant Standard Cross-currency Rates Derivatives Contract Terms.

2505. In deriving the Economic Terms of the Standard Cross-currency Rates Derivatives Contract from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, all references in the ISDA Definitions to a "Swap Transaction" shall be deemed to be an "Original Standard Cross-currency Rates Derivatives Transaction".

2506. Subject to subsequent ISDA Amendment adopted by OTC Clear pursuant to Clearing Rule 2507, the ISDA Definitions and the Standard Cross-currency Rates Derivatives Contract Terms applicable to a Standard Cross-currency Rates Derivatives Contract shall be those applicable as at the Registration Time of such Standard Cross-currency Rates Derivatives Contract.

2507. In case of any amendment to the ISDA Definitions, or publication of any supplement, annex or protocol by ISDA relating to the ISDA Definitions or amendment to the CNY (offshore) Disruption Provisions (each an "ISDA Amendment"), OTC Clear may, in its sole discretion, determine whether any such ISDA Amendment should be adopted for the purpose of interpreting or implementing the Standard Cross-currency Rates Derivatives Contract Terms, the manner of any such adoption and when such adoption shall take effect, and notify all Clearing Members of the same. Any non-receipt of such notice by Clearing Members shall not invalidate the effectiveness of the adoption of ISDA Amendment by OTC Clear.

2508. In respect of any adoption of ISDA Amendment by OTC Clear, such adopted ISDA Amendment shall govern the Standard Cross-currency Rates Derivatives Contract Terms of each Standard Cross-currency Rates Derivatives Contract then registered with OTC Clear, and any prospective payment obligations arising out of each such Standard Cross-currency Rates Derivatives Contract shall be construed accordingly.

2509. The Standard Cross-currency Rates Derivatives Contract Terms supplement, form part of, and are subject to these Clearing Rules. In the event of any inconsistency between the Standard Cross-currency Rates Derivatives Contract Terms and these Clearing Rules, these Clearing Rules will prevail.

2510. Except where expressly stated otherwise, all reference to "Sections" means Sections in the ISDA Definitions.

Economic Terms

2511. The Economic Terms of a Standard Cross-currency Rates Derivatives Contract are derived from the Transaction Data relating to the corresponding Original Standard Cross-currency Rates Derivatives Transaction. The Original Standard Cross-currency Rates Derivatives Transaction submitted to OTC Clear for registration must include information that satisfies each of the Economic Terms fields set out in Clearing Rule 2512.

2512. The Economic Terms fields comprise:

- (1) Trade Date (see Section 3.7 of the ISDA Definitions);
- (2) Effective Date (see Section 3.2 of the ISDA Definitions);
- (3) Termination Date (see Section 3.3 of the ISDA Definitions);
- (4) Initial Exchange:
 - (a) Initial Exchange Date (see Section 3.4 of the ISDA Definitions) (if applicable);
 - (b) Initial Exchange Amounts (see Section 4.1 of the ISDA Definitions) (if applicable);
 - (c) the Payer of each Initial Exchange Amount (if applicable);
- (5) Final Exchange:
 - (a) Final Exchange Date (see Section 3.6 of the ISDA Definitions) (if applicable);
 - (b) Final Exchange Amounts (see Section 4.3 of the ISDA Definitions) (if applicable);
 - (c) the Payer of each Final Exchange Amount (if applicable);
- (6) Additional Payments/Fees:
 - (a) the Payer of the Additional Payments/Fees (if applicable);
 - (b) the amount of the Additional Payments/Fees (specify zero if none);
 - (c) the Additional Payments/Fees dates (if applicable);
- (7) Business Days (see Section 1.4 of the ISDA Definitions);
- (8) Business Day Convention (see Section 4.12 of the ISDA Definitions);

(9) Where Fixed Rate – Floating Rate Swap:

- (a) Fixed Rate Payer (see Section 2.1 of the ISDA Definitions);
- (b) Fixed Rate Payer Payment Dates;
- (c) Fixed Rate and Fixed Rate Day Count Fraction;
- (d) Fixed Rate Payer Currency Amount (see Section 4.6 of the ISDA Definitions);
- (e) Floating Rate Payer (see Section 2.2 of the ISDA Definitions);
- (f) Floating Rate Payer Payment Dates;
- (g) Floating Rate Payer compounding dates (if applicable);
- (h) Floating Rate Payer Currency Amount (see Section 4.6 of the ISDA Definitions);
- (i) Floating Rate Option (see Section 6.2(h) of the ISDA Definitions);
- (j) Designated Maturity (see Section 7.3(b) of the ISDA Definitions) (if applicable);
- (k) Spread (see Section 6.2(e) of the ISDA Definitions);
- (l) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
- (m) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions);

(10) Where Floating Rate – Floating Rate Swap ("basis" swap):

- (a) Floating Rate Payer 1 (see Section 2.2 of the ISDA Definitions):
 - (A) Floating Rate Payer Payment Dates;
 - (B) Floating Rate Payer compounding dates (if applicable);
 - (C) Floating Rate Payer Currency Amount (see Section 4.6 of the ISDA Definitions);
 - (D) Floating Rate Option (see Section 6.2(h) of the ISDA Definitions);
 - (E) Designated Maturity (see Section 7.3(b) of the ISDA Definitions);
 - (F) Spread (see Section 6.2(e) of the ISDA Definitions);
 - (G) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
 - (H) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions);
- (b) Floating Rate Payer 2 (see Section 2.2 of the ISDA Definitions):
 - (A) Floating Rate Payer Payment Dates;
 - (B) Floating Rate Payer compounding dates (if applicable);
 - (C) Floating Rate Payer Currency Amount (see Section 4.6 of the ISDA Definitions);

- (D) Floating Rate Option (see Section 6.2(h) of the ISDA Definitions);
- (E) Designated Maturity (see Section 7.3(b) of the ISDA Definitions);
- (F) Spread (see Section 6.2(e) of the ISDA Definitions);
- (G) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
- (H) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions); and

(11) Details of the relevant financial center(s) must be indicated in the Original Standard Cross-currency Rates Derivatives Transaction.

2513. Pursuant to Clearing Rule 806(1), (1) if Clearing Member 1 was the party paying an Initial Exchange Amount ("Initial Exchange Amount C") and a Final Exchange Amount ("Final Exchange Amount D") to, and receiving an Initial Exchange Amount ("Initial Exchange Amount E") and a Final Exchange Amount ("Final Exchange Amount F") from, Clearing Member 2, and Clearing Member 2 was the party paying Initial Exchange Amount E and Final Exchange Amount F to, and receiving Initial Exchange Amount C and Final Exchange Amount D from, Clearing Member 1 under an Original Standard Cross-currency Rates Derivatives Transaction, then upon registration of the same as two Standard Cross-currency Rates Derivatives Contracts between OTC Clear and each of Clearing Member 1 and Clearing Member 2, and when deriving the relevant Economic Terms relating to any Payer of Initial Exchange Amount and Payer of Final Exchange Amount from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Initial Exchange Amount C and Final Exchange Amount D to, and receive Initial Exchange Amount E and Final Exchange Amount F from, Clearing Member 2 and pay Initial Exchange Amount E and Final Exchange Amount F to, and receive Initial Exchange Amount C and Final Exchange Amount D from, Clearing Member 1; and (2) if Clearing Member 1 was the party paying a rate ("Rate A") to, and receiving a rate ("Rate B") from, Clearing Member 2, and Clearing Member 2 was the party paying Rate B to, and receiving Rate A from, Clearing Member 1 under an Original Standard Cross-currency Rates Derivatives Transaction, then upon registration of the same as two Standard Cross-currency Rates Derivatives Contracts between OTC Clear and each of Clearing Member 1 and Clearing Member 2, and when deriving the relevant Economic Terms relating to any Floating Rate Payer and/or Fixed Rate Payer from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, Clearing Member 2 and pay Rate B to, and receive Rate A from, Clearing Member 1.

2514. Pursuant to Clearing Rule 806(2), (1) if the Relevant Client was the party paying an Initial Exchange Amount ("Initial Exchange Amount C") and a Final Exchange Amount ("Final Exchange Amount D") to, and receiving an Initial Exchange Amount ("Initial Exchange Amount E") and a Final Exchange Amount ("Final Exchange Amount F") from, Clearing Member 4, and Clearing Member 4 was the party paying Initial Exchange Amount E and Final Exchange Amount F to, and receiving Initial Exchange Amount C and Final Exchange Amount D from, the Relevant Client under an Original Standard Cross-currency Rates Derivatives Transaction, then upon registration of the same as two Standard Cross-currency Rates Derivatives Contracts between OTC Clear and Clearing Member 3 (in respect of its Client Clearing Category 1 Position Account relating to the Relevant Client) and Clearing Member 4 (in respect of its House Position Account), and when deriving the

relevant Economic Terms relating to any Payer of Initial Exchange Amount and Payer of Final Exchange Amount from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Initial Exchange Amount C and Final Exchange Amount D to, and receive Initial Exchange Amount E and Final Exchange Amount F from, Clearing Member 4 (in respect of its House Position Account) and pay Initial Exchange Amount E and Final Exchange Amount F to, and receive Initial Exchange Amount C and Final Exchange Amount D from, Clearing Member 3 (in respect of its Client Clearing Category 1 Position Account relating to the Relevant Client), and (2) if the Relevant Client was the party paying a rate ("Rate A") to, and receiving a rate ("Rate B") from, Clearing Member 4, and Clearing Member 4 was the party paying Rate B to, and receiving Rate A from, the Relevant Client under an Original Standard Cross-currency Rates Derivatives Transaction, then upon registration of the same as two Standard Cross-currency Rates Derivatives Contracts between OTC Clear and Clearing Member 3 (in respect of its Client Clearing Category 1 Position Account relating to the Relevant Client) and Clearing Member 4 (in respect of its House Position Account), and when deriving the relevant Economic Terms relating to any Floating Rate Payer and/or Fixed Rate Payer from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, Clearing Member 4 (in respect of its House Position Account) and pay Rate B to, and receive Rate A from, Clearing Member 3 (in respect of its Client Clearing Category 1 Position Account relating to the Relevant Client).

If, pursuant to Clearing Rule 806(2)(c), Clearing Member 3 and Clearing Member 4 are the same Clearing Member, then OTC Clear will pay Rate A, Initial Exchange Amount C and Final Exchange Amount D to, and receive Rate B, Initial Exchange Amount E and Final Exchange Amount F from, such Clearing Member's House Position Account, and will pay Rate B, Initial Exchange E and Final Exchange Amount F to, and receive Rate A, Initial Exchange Amount C and Final Exchange Amount D from, such Clearing Member's Client Clearing Category 1 Position Account relating to the Relevant Client.

2515. Pursuant to Clearing Rule 806(3), (1) if Client 1 was the party paying an Initial Exchange Amount ("Initial Exchange Amount C") and a Final Exchange Amount ("Final Exchange Amount D") to, and receiving an Initial Exchange Amount ("Initial Exchange Amount E") and a Final Exchange Amount ("Final Exchange Amount F") from, Client 2, and Client 2 was the party paying Initial Exchange Amount E and Final Exchange Amount F to, and receiving Initial Exchange Amount C and Final Exchange Amount D from, Client 1 under an Original Standard Cross-currency Rates Derivatives Transaction, then upon registration of the same as two Standard Cross-currency Rates Derivatives Contracts between OTC Clear and Clearing Member 5 (in respect of its Client Clearing Category 1 Position Account relating to Client 1) and Clearing Member 6 (in respect of its Client Clearing Category 1 Position Account relating to Client 2), and when deriving the relevant Economic Terms relating to any Payer of Initial Exchange Amount and Payer of Final Exchange Amount from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Initial Exchange Amount C and Final Exchange Amount D to, and receive Initial Exchange Amount E and Final Exchange Amount F from, Clearing Member 6 (in respect of its Client Clearing Category 1 Position Account relating to Client 2) and pay Initial Exchange Amount E and Final Exchange Amount F to, and receive Initial Exchange Amount C and Final Exchange Amount D from, Clearing Member 5 (in respect of its Client Clearing Category 1 Position Account relating to Client 1), and (2) if Client 1 was the party paying a rate ("Rate

A") to, and receiving a rate ("Rate B") from, Client 2, and Client 2 was the party paying Rate B to, and receiving Rate A from, Client 1 under an Original Standard Cross-currency Rates Derivatives Transaction, then upon registration of the same as two Standard Cross-currency Rates Derivatives Contracts between OTC Clear and Clearing Member 5 (in respect of its Client Clearing Category 1 Position Account relating to Client 1) and Clearing Member 6 (in respect of its Client Clearing Category 1 Position Account relating to Client 2), and when deriving the relevant Economic Terms relating to any Floating Rate Payer and/or Fixed Rate Payer from the Transaction Data of the corresponding Original Standard Cross-currency Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, Clearing Member 6 (in respect of its Client Clearing Category 1 Position Account relating to Client 2) and pay Rate B to, and receive Rate A from, Clearing Member 5 (in respect of its Client Clearing Category 1 Position Account relating to Client 1).

If, pursuant to Clearing Rule 806(3)(c), Clearing Member 5 and Clearing Member 6 are the same Clearing Member, then OTC Clear will pay Rate A, Initial Exchange Amount C and Final Exchange Amount D to, and receive Rate B, Initial Exchange Amount E and Final Exchange Amount F from, such Clearing Member's Client Clearing Category 1 Position Account relating to Client 2, and will pay Rate B, Initial Exchange Amount E and Final Exchange Amount F to, and receive Rate A, Initial Exchange Amount C and Final Exchange Amount D from, such Clearing Member's Client Clearing Category 1 Position Account relating to Client 1.

General Terms

2516. Clearing Rules 2517 to 2522 are designated as General Terms of a Standard Cross-currency Rates Derivatives Contract.

Clearing Rules

2517. A Standard Cross-currency Rates Derivatives Contract shall be subject to the Clearing Rules, which shall form a part of its terms. In the event of any inconsistency between these Contract Terms and the Clearing Rules, the Clearing Rules will prevail.

Negative Interest Rates

2518. Notwithstanding Section 6.4(a) of the ISDA Definitions, "Negative Interest Rate Method" will be deemed to apply to a Standard Cross-currency Rates Derivatives Contract and Sections 6.4(b) and 6.4(c) of the ISDA Definitions will apply to a Standard Cross-currency Rates Derivatives Contract.

Rounding

2519. Sections 8.1 and 8.2 of the ISDA Definitions will apply to a Standard Cross-currency Rates Derivatives Contract.

Tax Provisions

2520. Chapter 11 of these Clearing Rules shall form part of the Standard Cross-currency Rates Derivatives Contract Terms as if they were set out in full herein.

Calculation Agent

2521. OTC Clear shall be deemed the Calculation Agent in respect of each Standard Cross-currency Rates Derivatives Contract.

Governing Law

2522 Each Standard Cross-currency Rates Derivatives Contract shall be governed by and construed in accordance with the laws of Hong Kong and the parties irrevocably agree for the benefit of OTC Clear that the courts of Hong Kong shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. Each Clearing Member hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of Hong Kong shall not (and shall not be construed so as to) limit the right of OTC Clear to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude OTC Clear from taking action in any other jurisdiction, whether concurrently or not.

OTC Clearing Hong Kong Limited Clearing Procedures

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Any "pending" Original Transaction that is not accepted for registration by the commencement of the End-of-Day Settlement Process on the OTC Clear Clearing Day immediately following the day on which such "pending" Original Transaction satisfies the applicable product eligibility requirements set out in section 3.4 will be rejected by OTC Clear. The result will be communicated to the relevant Approved Trade Registration System. The transaction will be flagged as "REJECTED" in the "OTC Clear Trade Report (Report Number TDRP05 or TDRP06)" which is available to the Clearing Members on the Web Portal.

If an Original Transaction satisfies all applicable Eligibility Requirements, such Original Transaction will be registered by OTC Clear as two Contracts. The result will be communicated to the relevant Approved Trade Registration System. A unique trade identification number will be assigned to each such Contract, and such trade identification number will be published in the "OTC Clear Trade Report (Report Number TDRP01 or TDRP02)" which is available to the Clearing Members on the Web Portal. In addition, the Original Transaction submitted for registration will be flagged as "CLEARED" in such "OTC Clear Trade Report (Report Number TDRP01 or TDRP02)".

3.3.2 Creation of Contracts other than through Submission of Original Transactions by Clearing Members

Pursuant to Clearing Rule 813, Contracts may also be created by OTC Clear registering a Contract on its system. In doing so, OTC Clear may waive any required checks for assessing whether or not the applicable Eligibility Requirements have been satisfied.

3.4 Product Eligibility Requirements

3.4.1 General Requirements for an Original Non Deliverable Rates Derivatives Transaction and Original FX Derivatives Transaction

OTC Clear will accept an Original Transaction for registration only if:

- (i) to the extent that a particular subject matter or data field appearing in an Original Non Deliverable Rates Derivatives Transaction is prescribed for in the ND IRS Template, the election made with respect to such subject matter or data field in the Original Non Deliverable Rates Derivatives Transaction is consistent with that prescribed for in the relevant ND IRS Template; and
- (ii) to the extent that a particular subject matter or data field appearing in an Original FX Derivatives Transaction is prescribed for in the EMTA Template, the election made with respect to such subject matter or data field in the Original FX Derivatives Transaction is consistent with that prescribed for in the relevant EMTA Template.

3.4.2 Specific Requirements for an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction, and an Original Non Deliverable Rates Derivatives Transaction

3.4.2.1 OTC Clear will only accept the types of Original Standard Rates Derivatives Transaction, Original Standard Cross-currency Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction for registration as set out in the table as follows:

Instrument		Currencies/ Currency Pairs (swap)	Floating Rate Option	Maximum Residual Term	Designated Maturity
Original Standard Rates Derivatives Transactions	Single currency interest rate swaps	USD	USD-LIBOR-BBA	10 years (3,660 days)	One month, three months, six months and one year
		EUR	EUR-EURIBOR-Reuters EUR-LIBOR-BBA	10 years (3,660 days)	One month, three months, six months and one year
		HK\$	HKD-HIBOR-HIBOR=	10 years (3,660 days)	One month, three months, six months and one year
			HKD-HIBOR-HKAB		
		CNY (offshore)	CNY-SHIBOR-Reuters	10 years (3,660 days)	One month, three months, six months and one year
	CNH-HIBOR-TMA				
	Single currency basis swaps	USD	USD-LIBOR-BBA	10 years (3,660 days)	One month, three months, six months and one year
		EUR	EUR-EURIBOR-Reuters	10 years (3,660 days)	One month, three months, six months and one year
			EUR-LIBOR-BBA		
	<u>Original Standard Cross- currency Rates Derivatives Transactions</u>	<u>Cross-curre ncy interest rate swaps and Cross-curre ncy basis swaps</u>	<u>CNY (offshore) and USD</u>	<u>CNY (offshore): CNH-HIBOR-TMA CNY-SHIBOR-Reuters USD: USD-LIBOR-BBA</u>	<u>10 years (3,660 days)</u>
Original Non Deliverable Rates Derivatives Transactions	Non-deliver able interest rate swaps	CNY	CNY-CNREPOFIX=CFX S-Reuters	5 years (1,830 days)	Not Applicable

3.4.2.2 Day Count Fraction

OTC Clear will only accept the Floating Rate Day Count Fractions as follows:

Instrument		Currencies	Floating Rate Day Count Fraction
Original Standard Rates Derivatives Transactions	Single currency interest rate swaps	USD	Actual/360
		EUR	Actual/360
		HK\$	Actual/365 (Fixed)
		CNY (offshore)	Actual/360 and Actual/365 (Fixed)
	Single currency basis swaps	USD	Actual/360
		EUR	Actual/360
<u>Original Standard Cross-currency Rates Derivatives Transactions</u>	<u>Cross-currency interest rate swaps</u>	<u>USD</u>	<u>Actual/360</u>
		<u>CNY (offshore)</u>	<u>Actual/360 and Actual/365 (Fixed)</u>
	<u>Cross-currency basis swaps</u>	<u>USD</u>	<u>Actual/360</u>
		<u>CNY (offshore)</u>	<u>Actual/360 and Actual/365 (Fixed)</u>
Original Non Deliverable Rates Derivatives Transactions	Non-deliverable interest rate swaps	CNY	Actual/365 (Fixed)

OTC Clear will accept any of the following Fixed Rate Day Count Fractions:

- (i) Actual/Actual;
- (ii) Actual/365 (Fixed);
- (iii) Actual/360;
- (iv) 30/360;
- (v) 30E/360; and
- (vi) 30E/360 (ISDA).

3.4.2.3 Business Day for Payment Dates

- (i) with regard to an Original Standard Rates Derivatives Transaction, OTC Clear will accept such Original Standard Rates Derivatives Transaction for registration only if the financial center(s) as shown in the table below in the column entitled "Mandatory Financial Center" and marked

against the relevant Contractual Currency has/have been elected for such Original Standard Rates Derivatives Transaction for the purpose of determining Payment Dates:

Contractual Currencies	Mandatory Financial Center
USD	New York
EUR	TARGET
HK\$	Hong Kong
CNY (offshore)	Beijing and Hong Kong

Additional financial center(s) (as set out in Appendix II to these Clearing Procedures) may also be elected (irrespective of the Contractual Currency of the Original Standard Rates Derivatives Transaction) for such Original Standard Rates Derivatives Transaction for the purpose of determining Payment Dates (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17) with no limitation in number;

- (ii) with regard to an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept an Original Non Deliverable Rates Derivatives Transaction for registration only if the "Relevant City(ies) for Business Day for Settlement Date(s)" specified in the ND IRS Template relating to such Original Non Deliverable Rates Derivatives Transaction has/have been elected for the purpose of determining the Payment Dates; and
- (iii) with regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if:
 - (a) with respect to the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that Original Transaction, then with respect to each Floating Rate Payer), the same financial center(s) or "Relevant City(ies) for Business Days for Settlement Date(s)" (as applicable) has/have been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Floating Amount payable by such Floating Rate Payer; and
 - (b) the same financial center(s) or "Relevant City(ies) for Business Days for Settlement Date(s)" (as applicable) has/have been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable);
- (iv) with regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Standard Cross-currency Rates Derivatives Transaction for registration only if the financial centers as shown in the table below in the column entitled "Mandatory Financial Center" and marked against the relevant Currency Pair (swap) have been elected for such Original Standard Cross-currency Rates Derivatives Transaction for the purpose of determining Payment Dates (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17):

Currency Pairs (swap)	Mandatory Financial Center
USD and CNY (offshore)	New York, Beijing and Hong Kong

Additional financial center(s) (as set out in Appendix II to these Clearing Procedures) may also be elected (irrespective of the Currency Pair (swap) of the Original Standard Cross-currency Rates Derivatives Transaction) for such Original Standard Cross-currency Rates Derivatives Transaction for the purpose of determining Payment Dates (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17) with no limitation in number; and

- (v) with regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if the same financial centers have been elected for the purposes of determining (a) the Payment Date and the Calculation Period (if applicable) for each Floating Amount, (b) the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable), (c) the Initial Exchange Date (if applicable), and (d) the Final Exchange Date (if applicable).

3.4.2.4 Business Day Convention

In respect of any Payment Date (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17), OTC Clear will accept an Original Transaction for registration only if:

- (i) an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Business Day Convention is specified as one of the following:

Business Day Convention
Following
Modified Following
Preceding

- (ii) with regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if:

- (a) with respect to the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that Original Transaction, then with respect to each Floating Rate Payer), the same Business Day Convention has been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Floating Amount payable by such Floating Rate Payer; and
- (b) the same Business Day Convention has been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable); and

- ~~(ii)~~(iii) with regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if the same Business Day Convention has been elected for purposes of determining (a) the Payment Date and the Calculation Period (if applicable) for each Floating Amount, (b) the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable), (c) the Initial Exchange Date (if applicable), and (d) the Final Exchange Date (if applicable).

3.4.2.5 Residual Term

The residual term of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction, or an Original Non Deliverable Rates Derivatives Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks set out in this section 3.4 on such Original Transaction to (and including) the Termination Date of such Original Transaction.

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the residual term of that particular Original Transaction is less than or equal to the relevant maximum residual term as set out in section 3.4.2.1.

3.4.2.6 Notional Amount

OTC Clear will accept an Original Standard Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Notional Amount of that particular Original Transaction is:

- (i) greater than or equal to one unit of the relevant currency;
- (ii) an integer or a number rounded up to two or less decimal points; and
- (iii) the same for each Calculation Period during the term of that particular Original Transaction.

3.4.2.7 Effective Date

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (i) only one Effective Date is applicable to that particular Original Transaction; and
- (ii) such an Effective Date is not subject to any adjustment (in accordance with any Business Day Convention).

For the avoidance of doubt, the Effective Date specified for an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction may fall prior to, after, or on the same date as the date on which such Original Transaction is submitted for registration.

3.4.2.8 Calculation Period

- (i) The period of time between one Period End Date to the next following Period End Date is known as the "interval" for the purpose of this section 3.4.2.8 and section 3.4.2.12. For example, if the Period End Dates fall on 1 January 2013, 1 April 2013, 1 July 2013 and 1 October 2013 of calendar year 2013, then the interval will be quarterly;
- (ii) the period of time between one Payment Date to the next following Payment Date is known as the "frequency of payment" for the purpose of this section 3.4.2.8 and section 3.4.2.12. For example, if the term of an Original Transaction is one year, and the Payment Dates fall on 30 June and 30 December of that calendar year, the "frequency of payment" for that particular Original Transaction is 6 months;
- (iii) Floating Amount

with regard to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates

Derivatives Transaction and the Floating Rate Payer for that particular Original Transaction (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then each Floating Rate Payer), OTC Clear will accept that particular Original Transaction for registration provided that:

- (a) ~~the frequency of payment of such Floating Amount is the same as the interval of the Calculation Period of such Floating Amount is the same as the frequency of payment of such Floating Amount being payable during the term of that particular Original Transaction as designated by the Clearing Members; and~~
 - (b) the intervals for the initial Calculation Period, the final Calculation Period and all other Calculation Periods (if applicable) in respect of the Floating Amounts payable by the Floating Rate Payer during the term of the Original Transaction are the same; and
- (iv) Fixed Amount

with regard to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction whose terms include one or more Fixed Amount(s), OTC Clear will accept that particular Original Transaction for registration provided that:

- (a) the interval of the Calculation Period of such Fixed Amount is the same as the frequency of payment of such Fixed Amount being payable during the term of that particular Original Transaction as designated by the Clearing Members; and
- (b) the intervals for the initial Calculation Period, the final Calculation Period and all other Calculation Periods (if applicable) in respect of the Fixed Amount(s) being payable during the term of the Original Transaction are the same.

3.4.2.9 Interpolation

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction for registration only if interpolation is inapplicable.

3.4.2.10 Period End Date

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if either:

- (i) the Termination Date and all Period End Dates of that particular Original Transaction are subject to adjustment; or
- (ii) none of the Termination Date or any Period End Dates of that particular Original Transaction is subject to adjustment.

If the Period End Date(s) or Payment Date(s) is/are designated to be the last calendar day of a calendar month during the term of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration provided that both the Effective Date and Termination Date of that particular Original Transaction fall on the last calendar day of a relevant calendar month.

3.4.2.11 Payment Lag

In respect of each Original Transaction, payment lag is the number of the relevant Business Days by which the Payment Date precedes or follows the Period End Date of the relevant Calculation Period of that particular Original Transaction.

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the payment lag is zero.

3.4.2.12 Payment Date

- (i) Original Standard Rates Derivatives Transaction and Original Standard Cross-currency Rates Derivatives Transaction

With regard to both an Original Standard Rates Derivatives Transaction and Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Standard Rates Derivatives Transaction for registration only if:

- (a) with respect to the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction, then with respect to each Floating Rate Payer), the frequency of payment of each Floating Amount payable by such Floating Rate Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:
- (A) the same as the interval of the Calculation Period of the Floating Amount payable by such Floating Rate Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members;
 - (B) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to the Floating Amount payable by such Floating Rate Payer;
 - (C) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (D) three months if IMM Settlement Dates are applicable; and
- (b) the frequency of payment of each Fixed Amount (if applicable) being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:
- (A) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members;
 - (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (C) three months if IMM Settlement Dates are applicable;

(ii) Original Non Deliverable Rates Derivatives Transaction

With regard to an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (a) the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members;
 - (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (C) three months if IMM Settlement Dates are applicable; and
- (b) the frequency of payment of each Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members;
 - (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (C) three months if IMM Settlement Dates are applicable; ~~and~~

(iii) Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction

With regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction precedes any forthcoming Payment Date of that particular Original Transaction by a minimum of four days, where each of these four days is (a) a Currency Day for the Contractual Currency of that particular Original Transaction and (b) an OTC Clear Clearing Day; and

(iv) Original Standard Cross-currency Rates Derivatives Transaction

With regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction precedes any forthcoming Payment Date (other than Initial Exchange Date in respect of Initial Exchange Amount (if applicable) which is set out in section 3.4.2.28 and Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17) of that particular Original Transaction by a minimum of four days, where each of these four days is (a) a Currency Day for each Contractual Currency of that particular Original Transaction and (b) an OTC Clear Clearing Day.

3.4.2.13 Fixed Amount

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction to which Fixed Amount is applicable only if a Fixed Rate is specified and such rate is:

- (i) greater than or equal to zero;
- (ii) the same for each Calculation Period; and
- (iii) an integer or a number rounded up to seven or less decimal points.

For the avoidance of doubt, no amount should be specified as the Fixed Amount.

3.4.2.14 Floating Rate Option

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Floating Rate Option elected for the Floating Amounts payable by the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then each Floating Rate Payer) is:

- (i) consistent with Floating Rate Options as set out in section 3.4.2.1; and
- (ii) with respect to the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that Original Transaction, then with respect to each Floating Rate Payer), the same for all the relevant Calculation Periods of the Floating Amounts payable by such Floating Rate Payer.

For the avoidance of doubt, OTC Clear will not accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction for registration if the Floating Rate has been designated by a Clearing Member.

3.4.2.15 Reset Date

OTC Clear will accept an Original Transaction for registration only if:

- (i) with regard to an Original Non Deliverable Rates Derivatives Transaction, any Reset Date is the first day of each Compounding Period; and
- (ii) with regard to both an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction, any Reset Date is the first day of each relevant Calculation Period.

3.4.2.16 Spread

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether Spread is applicable or not.

If Spread is applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if the Spread is:

- (i) an integer or a number rounded up to seven or less decimal points; and
- (ii) the same for each Calculation Period.

3.4.2.17 Additional Payment

“Additional Payment” as used in this Chapter 3 means any additional payment specified in ~~the~~ an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction as being payable by the relevant Clearing Member(s) pursuant to the terms therein, and forming part of the Contract Terms upon registration of the Original Transaction.

OTC Clear will only accept an Original Non Deliverable Rates Derivatives Transaction for registration if no Additional Payment is specified in the terms of such Original Non Deliverable Rates Derivatives Transaction.

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction regardless of whether Additional Payment is applicable or not.

If Additional Payment is applicable to an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction, however, OTC Clear will accept that particular Original ~~Standard Rates Derivatives~~ Transaction for registration only if:

- (i) the financial center(s) elected for the purpose of determining the Payment Date(s) for Additional Payment(s) are as follows:

Currencies for settlement for Additional Payments	Financial center
USD	New York
EUR	TARGET
HKD	Hong Kong
CNY (offshore)	Beijing and Hong Kong

- (ii) the Business Day Convention elected for the purpose of determining the Payment Date(s) for Additional Payment(s) is Following;
- (iii) the currency for settlement of an Additional Payment is (a) the same as the Contractual Currency for such Original Standard Rates Derivatives Transaction or (b) one of the Contractual Currencies for such Original Standard Cross-currency Rates Derivatives Transaction;
- (iv) the Payment Date of any Additional Payment designated by the Clearing Members is preceded by the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction for a minimum of four days, where each of these four days is:
 - (a) a Currency Day for the Contractual Currency of that particular Original Standard Rates Derivatives Transaction; and-or
 - (b) a Currency Day for the Contractual Currency in which the Additional Payment is to be made under that particular Original Standard Cross-currency Rates Derivatives Transaction

and in each case is an OTC Clear Clearing Day;

- (v) the Payment Date for any Additional Payment falls on any day from and including the Effective Date to and including the Termination Date; and
- (vi) the payer and receiver of any Additional Payment payable under an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction are the Clearing Members who are counterparties to such ~~Original Standard Rates Derivatives Transaction~~.

For the avoidance of doubt, there is no limitation on the number of Additional Payments.

3.4.2.18 Compounding

In respect of an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such ~~Original Standard Rates Derivatives Transaction~~ for registration only if Compounding is elected to be inapplicable to such ~~Original Standard Rates Derivatives Transaction~~.

In respect of an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (i) Compounding is elected to be applicable; and
- (ii) Straight Compounding is applicable.

3.4.2.19 Designated Maturity

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Designated Maturity elected for the relevant Floating Rate Option in respect of the Floating Amounts payable by the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then with respect to each Floating Rate Payer) of that particular Original Transaction is:

- (i) consistent with the period stipulated in section 3.4.2.1; and
- (ii) the same for all relevant Calculation Periods of the Floating Amounts payable by such Floating Rate Payer.

3.4.2.20 Settlement Currency

This is applicable to an Original Non Deliverable Rates Derivatives Transaction only.

OTC Clear will accept an Original Non Deliverable Rates Derivatives Transaction for registration only if the Settlement Currency of that particular Original Non Deliverable Rates Derivatives Transaction is USD.

3.4.2.21 Optional Early Termination and Mandatory Early Termination

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether Optional Early Termination of such Original Transaction is applicable or not.

If Optional Early Termination is applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if both parties have the right to early terminate the Original Transaction.

If Optional Early Termination is provided for under the terms of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction:

- (i) OTC Clear will not maintain or record the feature of Optional Early Termination within its Rates and FX Clearing System when registering such Original Transaction;
- (ii) the Optional Early Termination feature, and its related provisions, will not form part of the Contract Terms of the Contracts created as a result of registration of such Original Transaction; and
- (iii) Clearing Members who become parties to the Contracts created as a result of registration of such Original Transaction may not exercise the right to early terminate such Contracts.

OTC Clear will not accept any Original Standard Rates Derivatives Transaction, Original Standard Cross-currency Rates Derivatives Transaction or Original Non Deliverable Rates Derivatives Transaction for registration if it contains provisions permitting Mandatory Early Termination.

3.4.2.22 IMM Settlement Dates

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether IMM Settlement Dates are applicable or not.

If IMM Settlement Dates are applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if

- (i) such IMM Settlement Dates are limited to the third Wednesday of March, June, September and December of each calendar year; and
- (ii) both the Effective Date and Termination Date of that particular Original Transaction fall on a day which is the third Wednesday of March, June, September or December of a calendar year.

3.4.2.23 Unweighted Average and Weighted Average

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if neither Unweighted Average nor Weighted Average is elected as applicable.

3.4.2.24 Termination Date

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if only one Termination Date is applicable to that particular Original Transaction.

If both the Effective Date and Termination Date of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction fall on the last calendar day in the relevant calendar month, OTC Clear will accept that particular Original Transaction for registration only if the Period End Date(s) or Payment Date(s) is/are designated to be the last calendar day in any calendar month(s) during the term of an Original Transaction.

3.4.2.25 Novation Date

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether Novation Date is applicable or not.

If Novation Date is applicable to an Original Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if:

- (i) the Novation Date falls on or prior to the date on which such Original Transaction is submitted for registration; and
- (ii) Full First Calculation Period is applicable.

3.4.2.26 Trade Date

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Trade Date of such Original Transaction falls on or prior to the date on which such Original Transaction is submitted for registration.

3.4.2.27 Initial Exchange Amount and Final Exchange Amount

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

- (i) OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration regardless of whether Initial Exchange Amount or Final Exchange Amount is applicable or not.
- (ii) If either Initial Exchange Amount or Final Exchange Amount is applicable to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
 - (a) each Initial Exchange Amount (if applicable) or each Final Exchange Amount (if applicable) is the same as the Currency Amount of the relevant currency;
 - (b) Initial Exchange Date is specified for each Initial Exchange Amount (if applicable) and Final Exchange Date is specified for each Final Exchange Amount (if applicable); and
 - (c) the receiver of the Initial Exchange Amount (if applicable) or the payer of the Final Exchange Amount (if applicable) in a particular currency is the Fixed Rate Payer (if applicable) or the Floating Rate Payer in such currency.
- (iii) If both Initial Exchange Amount and Final Exchange Amount are applicable to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
 - (a) each Initial Exchange Amount and each Final Exchange Amount is the same as the Currency Amount of the relevant currency;
 - (b) both Initial Exchange Date and Final Exchange Date are specified for each Initial Exchange Amount and Final Exchange Amount respectively;
 - (c) the receiver of the Initial Exchange Amount and the payer of the Final Exchange Amount in a particular currency is the Fixed Rate Payer (if applicable) or the Floating Rate Payer in such currency; and

(d) the receiver of the Initial Exchange Amount in a particular currency is the payer of the Final Exchange Amount in such currency.

(iv) If neither Initial Exchange Amount nor Final Exchange Amount is applicable to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept that particular Original Transaction for registration only if both Initial Exchange Date and Final Exchange Date are not applicable.

For the avoidance of doubt, OTC Clear will not accept an Original Standard Cross-currency Rates Derivatives Transaction for registration if Interim Exchange Amount is applicable.

3.4.2.28 Initial Exchange Date and Final Exchange Date

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

(i) If Final Exchange Date is applicable, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if, prior to any adjustment being made to the Final Exchange Date in accordance with the applicable Business Day Convention, it is the same as the Termination Date.

(ii) If Initial Exchange Date is applicable, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if:

(a) prior to any adjustment being made to the Initial Exchange Date in accordance with the applicable Business Day Convention, it is the same as the Effective Date; and

(b) the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction:

(A) precedes any forthcoming Initial Exchange Date of that particular Original Transaction by a minimum of two days, where each of these two days is (1) a Currency Day for each Contractual Currency of that particular Original Transaction and (2) an OTC Clear Clearing Day; or

(B) falls after the Initial Exchange Date of that particular Original Transaction.

3.4.2.29 Currency Amount

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if each Currency Amount in respect of a Fixed Rate Payer or Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then each Floating Rate Payer) of that particular Original Transaction is:

(i) greater than or equal to one unit of the relevant currency;

(ii) an integer or a number rounded up to two or less decimal points; and

(iii) the same for each Calculation Period during the term of that particular Original Transaction.

OTC Clear will perform the de-registration process described in this section 3.6 and the “Margin Process” as described in section 4.6 of these Clearing Procedures with respect to any Contract which is the subject of a de-registration request.

3.6.1 De-registration Conditions

A request to de-register a Contract will only be accepted by OTC Clear if the following conditions are met:

- (i) the relevant Contract has not reached its scheduled Termination Date or Settlement Date, and has not been previously terminated; and
- (ii) the de-registration request is submitted by both Clearing Members who were parties to the Original Transaction corresponding to the Contract via the relevant Approved Trade Registration System. If only one of the two relevant Clearing Members submits a de-registration request, OTC Clear will not accept such de-registration request. OTC Clear is not responsible for, and shall not be under any obligation to, providing a Clearing Member (“**first Clearing Member**”) with the identity of the Clearing Member who was counterparty to the first Clearing Member under the relevant Original Transaction corresponding to the Contract requested to be de-registered. For the avoidance of doubt, de-registration of Contracts corresponding to an Original Transaction will be processed on an all-or-nothing basis. The Margin Process referred to in section 4.6.5 of the Clearing Procedures must be satisfied with respect to both Contracts (corresponding to an Original Transaction) being de-registered. If the Margin Process referred to in section 4.6.5 of the Clearing Procedures is satisfied with respect to one but not both of the Contracts, OTC Clear will not accept the de-registration request relating to either of such Contracts.

3.6.2 Process of De-registration

In respect of a de-registration request submitted to OTC Clear before 18:00 hours Hong Kong time on an OTC Clear Clearing Day such de-registration request will be processed by OTC Clear on the same day.

In respect of a de-registration request submitted to OTC Clear between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will perform the de-registration process described in this section 3.6 on the same day. The “Margin Process” will only be performed during the Margin Process Hours, and as such, the relevant Contract will not be de-registered by OTC Clear until the immediately following OTC Clear Clearing Day assuming the “Margin Process” set out in section 4.6 of these Clearing Procedures are satisfied.

In respect of a de-registration request submitted to OTC Clear on a day which is not an OTC Clear Clearing Day, or at or after 19:00 hours Hong Kong time on an OTC Clear Clearing Day, such de-registration request will be processed by OTC Clear on the immediately following OTC Clear Clearing Day.

If a de-registration request does not satisfy the conditions set out in section 3.6.1, or if it contains any invalid or incomplete trade data, such de-registration request will be rejected and will not go through the “Margin Process” as set out in section 4.6 of these Clearing Procedures. The result will be communicated to the relevant Approved Trade Registration System but will not be made available to the Clearing Members on the Web Portal.

If a de-registration request satisfies the conditions set out in section 3.6.1, but does not satisfy the “Margin Process” as set out in section 4.6 of these Clearing Procedures, such de-registration request will be put on “pending” status in the Rates and FX Clearing System. The result will be communicated

to the relevant Approved Trade Registration System. The relevant Contracts will be flagged as "PEND_TRF/TRM/DCL" in the "OTC Clear Trade Report (Report Number TDRP03 or TDRP04)" which is available to the Clearing Members on the Web Portal.

OTC Clear will reject any de-registration request which fails to satisfy the "Margin Process" as set out in section 4.6 of these Clearing Procedures by the commencement of the End-of-Day Settlement Process on the OTC Clear Clearing Day immediately following the day on which all conditions set out in section 3.6.1 have been satisfied. The result will be communicated to the relevant Approved Trade Registration System and the relevant Contracts will remain registered with OTC Clear.

If a de-registration request satisfies all conditions set out in section 3.6.1 and "Margin Process" as set out in section 4.6 of these Clearing Procedures, such Contracts will be de-registered by OTC Clear. The result will be communicated to the relevant Approved Trade Registration System. In addition, the relevant Contracts submitted for de-registration will be flagged as "DECLARED" in such "OTC Clear Trade Report (Report Number TDRP01 or TDRP02)".

Save and except for the operation of section 3.8.1 and any fees due but unpaid by the relevant Clearing Member to OTC Clear (including the de-registration fee):

- (i) any Contract that has been de-registered shall have no further force or effect thereafter; and
- (ii) the rights and obligations of each of OTC Clear and the relevant Clearing Member under the Contract being de-registered shall be fully relinquished and discharged with effect from the time such Contract is de-registered.

Any de-registered transaction can be submitted for registration again, and subject to the Eligibility Requirements applicable to the relevant transaction.

Cancellation, novation or any other fees which have been agreed between the relevant Clearing Members who are counterparties to the particular Contract in connection with a de-registration request shall not be processed by OTC Clear.

3.7 Accounts

Pursuant to Chapter 9 of the Clearing Rules, the following accounts may be opened for a Clearing Member on the OTC Clear's books and records: (i) one House Position Account and one or more Client Clearing Category 1 Position Accounts may be established for a Clearing Member, (ii) one House Collateral Account and one or more Client Clearing Category 1 Collateral Accounts may be established for a Clearing Member, (iii) but only one GF Account will be established for a Clearing Member. Each Clearing Member will be individually identified in OTC Clear Rates and FX Clearing System by way of designation of a bank identifier code (BIC) for each such Clearing Member. In addition, a unique identifier will be assigned to each Clearing Member and mapped to each of the accounts.

3.8 Settlement Component

A "Settlement Component" consists of daily settlement components (as set out in section 3.8.1) and fees and interest (as set out in section 3.8.2).

Pursuant to Clearing Rule 226, the calculations made by OTC Clear shall be conclusive and binding on all Clearing Members. If a Clearing Member notifies OTC Clear of any alleged error in any calculations performed by OTC Clear pursuant to Clearing Rule 226, such Clearing Member is still obligated to settle the full amounts as stated in the "OTC Clear Settlement Reports" on the payment due date pending investigation, resolution or (if applicable) rectification of the alleged error by OTC Clear.

For the avoidance of doubt, OTC Clear will only be responsible for settlement of any Settlement Component of a Contract if the Payment Date of such Settlement Component is in compliance with the terms set out in section 3.4.2.12.

The terms and provisions included in an ISDA Credit Support Annex published by ISDA will not form part of the Contract Terms of a Contract. As such, the Independent Amount (as defined in paragraph 10 of the ISDA Credit Support Annex (Bilateral Form-Transfer) published by ISDA) is not, and does not form part of the Settlement Component. OTC Clear is not responsible for, and will not be processing any transfer of Independent Amount and Clearing Member shall be responsible to put in place any relevant Collateral management procedures for processing any Independent Amount.

3.8.1 Daily Settlement Components

OTC Clear will determine the daily settlement components on each OTC Clear Clearing Day. Daily settlement components consist of (i) coupon payment for a Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract, (ii) settlement amount for an FX Derivatives Contract, (iii) Additional Payment, (iv) Additional Amount, (v) Initial Margin, (vi) Additional Margin, (vii) Variation Margin, (viii) Rates and FX Contribution, (ix) Initial Exchange Amount and Final Exchange Amount for a Standard Cross-currency Rates Derivatives Contract and any other components which may be specified by OTC Clear from time to time.

Market data (such as non-business days for different financial centers, any interest rate, exchange rate or price) which are applied to determine the daily settlement components will be published in the "OTC Clear Market Data Reports (Report Number MKDR01, MKDR02 and MKDR03)". The amount of daily settlement components to be settled by a Clearing Member will be published in the "OTC Clear Settlement Report (Report Number STRP01)". Such reports are available to the Clearing Members on the Web Portal. The daily settlement components published in the "OTC Clear Settlement Report (Report Number STRP01)" shall be final and conclusive, and shall be settled on the relevant "Value Date" as stipulated in the "OTC Clear Settlement Report (Report Number STRP01)" in accordance with section 3.11. Any de-registration request that is accepted by OTC Clear after the publication of the "OTC Clear Settlement Report (Report Number STRP01)" for any relevant "Value Date" shall not have any effect on the payment obligation of a Clearing Member to settle the daily settlement components set out in the relevant "OTC Clear Settlement Report (Report Number STRP01)" for such "Value Date".

3.8.1.1 Coupon Payment for a Standard Rates Derivatives Contract, a Standard Cross-currency Rates Derivatives Contract and a Non Deliverable Rates Derivatives Contract

With respect to each of section 3.8.1.1.1 and section 3.8.1.1.2, if the Payment Date or Period End Date of a Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract is specified to be the 29th, 30th or 31st of a calendar month but there is not any such numerically corresponding day in the calendar month in which the Payment Date or Period End Date would otherwise fall, then the relevant Payment Date or Period End Date shall be deemed to fall on the last calendar day of the relevant calendar month, and be subject to adjustment in accordance with the Business Day Convention specified in the Contract Terms relating to such Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract.

3.8.1.1.1 Calculation of the Fixed Amount

Calculation of the Fixed Amount is based on the methodologies stipulated in Sections 5.1(b) and 5.2 of the ISDA Definitions and the Economic Terms specified in the relevant Contract.

For the avoidance of doubt, irrespective of the Registration Time of a Contract, the Calculation Period of a Fixed Amount of such Contract is the period from and including the immediately preceding Period End Date (or the Effective Date if such Calculation Period is the initial Calculation Period of that particular Contract) to but excluding the Period End Date of the relevant Calculation Period (or the Termination Date if such Calculation Period is the final Calculation Period of that particular Contract).

3.8.1.1.2 Calculation of the Floating Amount

- (i) In respect of a Standard Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.1 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Rates Derivatives Contract; ~~and~~
- (ii) in respect of a Non Deliverable Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.3(c) of the ISDA Definitions and the Economic Terms specified in the relevant Non Deliverable Rates Derivatives Contract and the Compounding Date is deemed to be each relevant CNY 7-Repo Compounding Date in accordance with Section 7.1(ah)(ii) of the ISDA Definitions; and
- (iii) In respect of a Standard Cross-currency Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.1 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Cross-currency Rates Derivatives Contract.

For the avoidance of doubt, irrespective of the Registration Time of a Contract, the Calculation Period of a Floating Amount of such Contract is the period from and including the immediately preceding Period End Date (or the Effective Date if such Calculation Period is the initial Calculation Period of that particular Contract) to but excluding the Period End Date of the relevant Calculation Period (or the Termination Date if such Calculation Period is the final Calculation Period of that particular Contract).

A Clearing Member should note the provisions set out in Clearing Rules 2222, 2319 and 23192518 in relation to the applicability of the "Negative Interest Rate Method" to a Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract, as applicable.

3.8.1.1.3 Determination of the Rate for a Reset Date

The rate for a Reset Date, including the source and the time at which such source is obtained from the relevant provider, is determined by reference to Article 7 of the ISDA Definitions.

3.8.1.1.4 Adjustment to the Initial Exchange Date, the Final Exchange Date, the Payment Date and the Period End Date

OTC Clear uses Copp Clark as the data provider of days that are not Currency Days. OTC Clear will provide Clearing Members with regular updates of such non-Currency Days through the "OTC Clear Market Data Report (Report Number MKDR03)". Any ad-hoc update of such non-Currency Days will be notified to the Clearing Members.

- (i) In respect of a Standard Rates Derivatives Contract or a Non Deliverable Rates Derivatives Contract:

If any update of a Currency Day results in an adjustment to a Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, such adjustment to the Payment Date and/or the amount of the settlement (if applicable) shall be made in accordance with the Contract Terms ~~and, in respect of a Non Deliverable Rates Derivatives Contract, and the relevant ND IRS Template,~~ provided that, in the event of a holiday declaration in respect of

a particular day which would otherwise have been a Currency Day or a Business Day after 18:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day or Business Day on which a Payment Date and/or Period End Date is scheduled to fall, no adjustment shall be made to such Payment Date and/or Period End Date of any Contract unless such declaration or curtailment affects the financial center or the foreign exchange market of the Contractual Currency of that Contract.

(ii) In respect of a Standard Cross-currency Rates Derivatives Contract:

If any update of a Currency Day results in an adjustment to an Initial Exchange Date (if applicable), a Final Exchange Date (if applicable), a Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, such adjustment to the Initial Exchange Date (if applicable), the Final Exchange Date (if applicable), the Payment Date and/or the amount of the settlement (if applicable) shall be made in accordance with the Contract Terms, provided that, in the event of a holiday declaration in respect of a particular day which would otherwise have been a Currency Day or a Business Day after 18:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day or Business Day on which an Initial Exchange Date (if applicable), a Final Exchange Date (if applicable), a Payment Date and/or Period End Date (if applicable) is scheduled to fall, no adjustment shall be made to such Initial Exchange Date, Final Exchange Date, Payment Date and/or Period End Date of any Contract unless such declaration or curtailment affects the financial center or the foreign exchange market of any one of the Contractual Currencies of that Contract.

Any update to the Payment Date and/or amount of the settlement of a forthcoming payment is reflected in the "OTC Clear Settlement Report (Report Number STRP04, STRP06 or STRP09)", which will be made available to the Clearing Members on the Web Portal.

OTC Clear has no involvement in Copp Clark's business and therefore does not guarantee and is not responsible for the accuracy of any data provided by Copp Clark.

3.8.1.1.5 Calculation of the Settlement Currency Amount for a Non Deliverable Rates Derivatives Contract

The methodology stipulated in Section 2.2(b)(ii) of the FX Definitions for calculation of the Settlement Currency Amount for a Non Deliverable Rates Derivatives Contract shall be deemed to be replaced by the methodology stipulated in the ND IRS Template under the section entitled "Settlement Currency Amount".

3.8.1.1.6 Disruption Event and Disruption Fallback

In respect of a Standard Rates Derivatives Contract or a Standard Cross-currency Rates Derivatives Contract which is denominated in CNY (offshore), in the event of the occurrence of a Disruption Event, the CNY (offshore) Disruption Provisions shall apply.

In respect of a Non Deliverable Rates Derivatives Contract, in the event of the occurrence of a Disruption Event, the relevant Disruption Fallback provisions stipulated in the ND IRS Template shall apply.

3.8.1.2 Settlement Amount for an FX Derivatives Contract

3.8.1.2.1 Calculation of the Settlement Currency Amount

Calculation of the Settlement Currency Amount is based on the methodologies stipulated in Article 2 of the FX Definitions and the Economic Terms specified in the relevant Contract.

- (iii) the Clearing Member shall input a request for withdrawal via the collateral management window of the Web Portal before 11:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day. Any request which is submitted (a) on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day or (b) after 11:00 hours Hong Kong time on such day will be rejected;
- (iv) the amount of withdrawal will be deducted from the cash balance of the Collateral Account or the GF Account, as the case may be, relating to the Clearing Member once such request is processed by OTC Clear;
- (v) OTC Clear will make the payment for value on the same day by the cash settlement method described in section 3.10.1; and
- (vi) transfer of cash Collateral between the House Collateral Account and any of the Client Clearing Category 1 Collateral Accounts; or between any of the Client Clearing Category 1 Collateral Accounts, of a Clearing Member is not allowed.

For the avoidance of doubt, any request for withdrawal of cash Collateral which is designated with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear.

Clearing Members are able to monitor the progress of their withdrawal requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 18:00 hours Hong Kong time on each OTC Clear Business Day.

3.9.2 Procedure for Voluntary Deposit of Cash Collateral

The following procedures apply to voluntary deposit of cash Collateral by a Clearing Member in respect of its Margin requirements and its Rates and FX Liability:

- (i) the Clearing Member shall input a request for deposit via the collateral management window of the Web Portal before 16:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day or (b) after 16:00 hours Hong Kong time on such day will be rejected;
- (ii) the amount of deposit will be settled by the cash settlement method described in section 3.10.1;
- (iii) the Clearing Member ~~must~~^{should} ensure that the amount of deposit can be credited to OTC Clear ~~within one hour following~~ by 17:00 hours Hong Kong time on the submission of the day such request is submitted. Otherwise such request will be deemed to be rejected by OTC Clear;
- (iv) upon receipt of confirmation by OTC Clear from its settlement bank that the amount of deposit has been credited to OTC Clear, it will be reflected in the cash balance of the Collateral Account or the GF Account, as the case may be, relating to the Clearing Member; and
- (v) transfer of cash Collateral between the House Collateral Account and any of the Client Clearing Category 1 Collateral Accounts; or between any of the Client Clearing Category 1 Collateral Accounts, of a Clearing Member is not allowed.

For the avoidance of doubt, any request for deposit of cash Collateral which is designated with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear.

Clearing Members are able to monitor the progress of their deposit requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 18:00 hours Hong Kong time on each OTC Clear Clearing Day.

3.9.3 Black Rainstorm Warning or Typhoon Signal Number 8

If a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory, the special arrangement as set out in section 9.5 of these Clearing Procedures will apply and the operation of the procedures set out in this section 3.9 shall be construed accordingly.

3.10 Cash Settlement Method

Initial Margin, Additional Margin and Rates and FX Contribution will be settled separately from (and not subject to netting with) any of the following:

- (i) settlements of (a) coupon payment of a Standard Rates Derivatives Contract, a Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract, (b) settlement amount of an FX Derivatives Contract, (c) Additional Payment and (d) Variation Margin which will all be settled on a net basis provided that each such sum is denominated in the same currency; ~~and~~
- (ii) settlements of (a) Additional Amount, (b) fees and interest and (c) any other components which will all be settled on a net basis provided that each such sum is denominated in the same currency; ~~and~~
- (iii) settlements of Initial Exchange Amount and/or Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract in the same Currency Pair (swap) will be netted together.

All cash settlements must be made in accordance with section ~~3.10.1~~ 3.10.

If there is any change to the standard settlement instruction used by OTC Clear, such change will be notified to the Clearing Members. If a Clearing Member wishes to change its standard settlement instruction, it must provide at least 10 OTC Clear Business Days' advance notice to OTC Clear pursuant to section 2.6 of these Clearing Procedures prior to effecting such change.

3.10.1 RTGS

Except for the situation described in the immediately following paragraph and subject to section 3.10.2 below, all cash payments must be settled through the Real Time Gross Settlement system, where "Real Time Gross Settlement" (or "RTGS") means the settlement services provided by Hong Kong Interbank Clearing Limited. For a Clearing Member who is not a member of RTGS system, for cash settlement purpose, it should maintain an account with a member of RTGS system. If a Clearing Member is a member of RTGS system, it must settle directly with the settlement bank of OTC Clear via RTGS system. The list of the settlement banks appointed by OTC Clear for settlement will be notified by OTC Clear to Clearing Members from time to time.

Cash payments may not be settled through the RTGS system if the Clearing Member and OTC Clear use the same member of the RTGS system for settlement of the relevant currency, and in such case, cash payments will be settled through intra-bank transfer within the relevant settlement bank.

Any payment made through RTGS system will be irrevocable at the point in time set out in the relevant operating rules of the RTGS system.

Under RTGS system, the settlement of any amount shall be initiated by the payer of such amounts.

3.10.2 PVP

In respect to the cash payments relevant to the settlements of Initial Exchange Amount and/or Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract relevant to a Currency Pair (swap) for a particular Clearing Member, if the netted amounts of both currencies of a Currency Pair (swap) are greater than zero and the amount in one currency is payable by OTC Clear while the amount in the other currency of the Currency Pair (swap) is receivable by OTC Clear, they must be settled through the payment-versus-payment mechanism, where "payment-versus-payment" (or "PVP") means the settlement services linked with RTGS system which is provided by Hong Kong Interbank Clearing Limited. For a Clearing Member who is not a member of RTGS system, for cash settlement purpose, it should maintain an account with a member of RTGS system. If a Clearing Member is a member of RTGS system, it must settle directly with the settlement bank of OTC Clear via RTGS system. The list of the settlement banks appointed by OTC Clear for settlement will be notified by OTC Clear to Clearing Members from time to time.

Any payment made through PVP mechanism will be irrevocable at the point in time set out in the relevant operating rules of the RTGS system.

3.11 Cash Settlement Time

~~Any request made by either a Clearing Member or OTC Clear for cash settlement on a particular payment date must be settled by the relevant party:~~

(i) Save and except the Initial Exchange Amount and the Final Exchange Amount, any cash settlement to be payable by a Clearing Member on a particular payment date must be settled by the Clearing Member:

- (a) no later than 10:30 hours Hong Kong time on the relevant payment due date if the "OTC Clear Settlement Report (Report Number STRP01)" relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day; or
- (b) in all other cases, within two hours following the "OTC Clear Settlement Report (Report Number STRP01)" relating to that particular payment date is published, or information equivalent to that which would be set out in such reports is communicated to Clearing Member by OTC Clear, subject to the availability of RTGS services.

(ii) In respect of the Initial Exchange Amount and the Final Exchange Amount:

(a) the Clearing Member must be operationally ready to settle the relevant cash settlement on a particular payment date by providing the relevant instruction to Hong Kong Interbank Clearing Limited and reserving sufficient funding for the relevant cash settlement no later than 12:00 hours Hong Kong time on the relevant payment due date regardless of whether the "OTC Clear Settlement Report (Report Number STRP01)" relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day or not; and

(b) the cash settlement process for the Initial Exchange Amount and the Final Exchange Amount must be completed by both Clearing Member and OTC Clear no later than 13:00 hours Hong Kong time on the relevant payment due date regardless of whether the "OTC Clear Settlement Report (Report Number STRP01)" relating to that particular payment

date is published at or prior to 08:30 hours Hong Kong time on such day or not but provided that anyif such reports are not published information equivalent to that which would be set out in such reports is communicated to Clearing Member by OTC Clear no later than 12:00 hours Hong Kong time; and

(iii) Save and except the Initial Exchange Amount and the Final Exchange Amount, any cash settlement to be payable by OTC Clear on a particular payment date must be settled by OTC Clear:

(a) no later than 14:00 hours Hong Kong time on the relevant payment due date if the "OTC Clear Settlement Report (Report Number STRP01)" relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day or information equivalent to that which would be set out in the reports is available to OTC Clear no later than 12:00 hours Hong Kong time; or

(b) in all other cases within two hours following the "OTC Clear Settlement Report (Report Number STRP01)" relating to that particular payment date is published, or information equivalent to that which would be set out in such reports is available to OTC Clear, subject to the availability of RTGS services.

Any Margin requirements must be satisfied in accordance with the timing set out in section 4.7.1 of these Clearing Procedures; and a Clearing Member's request for voluntary withdrawal or deposit of cash Collateral will be governed by section 3.9.

3.12 Tax

Any Additional Amount payable by a Clearing Member in respect of tax will be recorded in the "OTC Clear Settlement Report (Report Number STRP08)". The Clearing Member shall settle such Additional Amount within the prescribed timeframe set out in the "OTC Clear Settlement Report (Report Number STRP08)". Please refer to sections 3.10 and 3.11 for settlement method and settlement time.

3.13 Reporting

All reports published by OTC Clear will be made available to Clearing Members on the Web Portal. Please refer to the Web Portal User Manual and the Report Usage Guide for details. Clearing Member can print the reports locally or download the reports in a machine-readable data-file format.

All reports reflect the latest record of OTC Clear. Reports will remain available for download by Clearing Member for 12 OTC Clear Clearing Days from the date it is first made available on the Web Portal. Subsequent to the removal of the reports from the Web Portal, a Clearing Member may request OTC Clear to provide such reports either by delivery in print-out form, or by providing such Clearing Member with access to retrieve such reports electronically, in each case, subject to a fee as set out in section 3.8.2.1.

The relevant identification number, publication frequency, report name and guidance for interpreting the contents of each report are set out in the Report Usage Guide. Please refer to the Report Usage Guide for further details.

3.14 Notional Exchange Failure Handling Procedures

Following the occurrence of a Notional Exchange Failure:

(i) OTC Clear may, on the basis of the Notional Exchange Failure, determine that the Non-delivering Clearing Member is or appears to be unable, or likely to become unable, to meet its obligations in respect of the Clearing Documentation and/or one or more Contracts to

which it is party, such that an Event of Default occurs with respect to the Non-delivering Clearing Member pursuant to Clearing Rule 1301 (an "Event of Default Determination"); and

(ii) irrespective of whether OTC Clear makes an Event of Default Determination in respect of that Notional Exchange Failure:

(a) subject to sub-paragraph (d) below, OTC Clear will continue the settlement of Initial Exchange Amounts and Final Exchange Amounts of Standard Cross-currency Rates Derivatives Contracts with other Clearing Members;

(b) OTC Clear may, in its sole discretion, obtain one or more short term loans and/or enter into one or more FX Transactions in order to fulfil OTC Clear's outstanding obligations with other Clearing Members under Standard Cross-currency Rates Derivatives Contracts;

(c) if the relevant Initial Exchange Amount or Final Exchange Amount, as the case may be (the "Unpaid Exchange Amount"), remains unpaid at 13:00 hours Hong Kong time on the relevant Initial Exchange Date or Final Exchange Date, as the case may be, OTC Clear may, in its sole discretion, elect to satisfy its obligation to pay the Corresponding Exchange Amount in the following manner:

(A) the obligation of the Non-delivering Clearing Member to pay the Unpaid Exchange Amount shall be replaced by an obligation to pay an amount (the "Substitute Exchange Amount") equal to (and payable in the same currency and on the same date as) the Corresponding Exchange Amount. The obligation of OTC Clear to pay the Corresponding Exchange Amount shall be immediately and automatically set-off against the obligation of Non-delivering Clearing Member to pay the Substitute Exchange Amount such that each such obligation is discharged in full;

(B) OTC Clear shall determine the Notional Exchange Failure Adjustment Amount in respect of the Unpaid Exchange Amount; and

(C) if that Notional Exchange Failure Adjustment Amount is a positive number, the Non-delivering Clearing Member shall pay it to OTC Clear immediately upon demand and if that Notional Exchange Failure Adjustment Amount is a negative number, OTC Clear shall pay the absolute value of such amount to the Non-delivering Clearing Member as soon as practicable (subject to any rights of set-off against amounts owed by the Non-delivering Clearing Member to OTC Clear, including, without limitation, amounts owed by the Non-delivering Clearing Member pursuant to Clearing Rule 1002A);

(d) in the event that OTC Clear is unable, as a result of that Notional Exchange Failure, to satisfy its obligation to pay an Initial Exchange Amount or Final Exchange Amount (the "Affected Amount") under a Standard Cross-currency Rates Derivatives Contract with any other Clearing Member (the "Affected Clearing Member") in the currency in which the Affected Amount is denominated by 16:00 hours Hong Kong time on the relevant Initial Exchange Date or Final Exchange Date, as the case may be:

(A) OTC Clear shall promptly notify the Affected Clearing Member of OTC Clear's inability to do so; and

(B) OTC Clear may, in its sole discretion, elect to satisfy its obligation to pay that Affected Amount in the following manner:

(i) the obligation of OTC Clear to pay the Affected Amount shall be replaced by an obligation to pay an amount (the "Substitute Affected Amount") equal to (and

payable in the same currency and on the same date as) the Corresponding Affected Amount. The obligation of the Affected Clearing Member to pay the Corresponding Affected Amount shall be immediately and automatically set-off against the obligation of OTC Clear to pay the Substitute Affected Amount such that each such obligation is discharged in full;

(ii) OTC Clear shall determine the Notional Exchange Failure Adjustment Amount in respect of the Unpaid Exchange Amount (if not already calculated pursuant to sub-paragraph (c) above); and

(iii) if that Notional Exchange Failure Adjustment Amount is a positive number, OTC Clear shall pay an amount equal to that amount to the Affected Clearing Member and if it is a negative number, the Affected Clearing Member shall pay an amount equal to the absolute value of such amount to OTC Clear, in each case as soon as practicable, but in no event later than 2 OTC Clear Business Days after the relevant Initial Exchange Date or Final Exchange Date, as the case may be; and

(e) unless and until the Non-delivering Clearing Member fails to pay or deliver any amounts (excluding Initial Exchange Amounts and Final Exchange Amounts) when due under the Clearing Documentation or an Event of Default occurs with respect to the Non-delivering Clearing Member, OTC Clear will continue the settlement of cash settlements (other than Initial Exchange Amounts and Final Exchange Amounts) with the Non-defaulting Clearing Member in accordance with section 3.11 of these Clearing Procedures.

For the purpose of this section 3.14:

“Corresponding Affected Amount” means, in respect of an Affected Amount, the corresponding Initial Exchange Amount or Final Exchange Amount (as the case may be) payable by the relevant Affected Clearing Member to OTC Clear under the relevant Standard Cross-currency Rates Derivatives Contract on the Initial Exchange Date or Final Exchange Date (as the case may be) for that Affected Amount;

“Corresponding Exchange Amount” means, in respect of an Unpaid Exchange Amount, the corresponding Initial Exchange Amount or Final Exchange Amount (as the case may be) payable by OTC Clear to the Non-delivering Clearing Member under the relevant Standard Cross-currency Rates Derivatives Contract on the Initial Exchange Date or Final Exchange Date (as the case may be) for that Unpaid Exchange Amount;

“Market Quotation” means, in respect of an Unpaid Exchange Amount, an amount that would be payable by OTC Clear in the currency of the Corresponding Exchange Amount in consideration for receiving an amount equal to (and in the same currency as) that Unpaid Exchange Amount based on the relevant spot foreign exchange rate published by the Treasury Markets Association on the relevant Initial Exchange Date or Final Exchange Date, as the case may be; and

“Notional Exchange Failure Adjustment Amount” means, in respect of an Unpaid Exchange Amount, an amount equal to the Market Quotation in respect of that Unpaid Exchange Amount minus the Corresponding Exchange Amount, provided that if such Market Quotation cannot be determined, OTC Clear will determine the Notional Exchange Failure Adjustment Amount (or a method for determining the Notional Exchange Failure Adjustment Amount), taking into consideration all available information that in good faith it deems relevant.

Chapter 4

Margin and Valuation

4.1 Margin Requirement

A Clearing Member must at all times satisfy its Margin requirements calculated by OTC Clear in respect of all Contracts registered in its name. The Margin requirements in respect of Contracts recorded to a Clearing Member's House Position Account may be netted against each other, and the Margin requirement in respect of Contracts recorded to a Clearing Member's Client Clearing Category 1 Position Account may be netted against each other, but not against Contracts recorded to such Clearing Member's House Position Account or other Client Clearing Category 1 Position Account(s).

The types of Margin that may be demanded by OTC Clear in respect of each Clearing Member are summarised below:

- (i) Initial Margin (see section 4.2) – which in most circumstances is calculated during the End-of-Day Settlement Process in respect of each Position Account. Initial Margin will be calculated and presented in the Base Currency, and a Clearing Member may satisfy its Initial Margin requirements either in cash in any Eligible Currency or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures. OTC Clear may, at any time during an OTC Clear Clearing Day, demand ad hoc intra-day Initial Margin from each Clearing Member if it determines that the then market conditions warrant this. Ad hoc intra-day Initial Margin requirement will apply to each Clearing Member with respect to each Position Account then registered in its name (including both its House Position Account and Client Clearing Category 1 Position Account(s), if any). With respect to each such Position Account, ad hoc intra-day Initial Margin will be determined and presented in the Base Currency, and the Clearing Member may satisfy such demand either in cash in any Eligible Currency or any non-cash assets specified in section 7.3 of these Clearing Procedures;
- (ii) Variation Margin
 - (a) End-of-day Variation Margin (see section 4.3) – which is calculated during the End-of-Day Settlement Process in respect of each Contract. End-of-day Variation Margin will be calculated and presented in the Contractual Currency of the Contract, and a Clearing Member shall satisfy the end-of-day Variation Margin requirements in cash in the relevant Contractual Currency;
 - (b) Routine Intra-day VM Call (see section 4.4.2) – which may be made by OTC Clear at the Routine VM Call Time during an OTC Clear Business Day. At regular intervals during an OTC Clear Clearing Day, OTC Clear will determine the aggregate Initial Margin and Additional Margin requirements in respect of all the Contracts then recorded to a Clearing Member's House Position Account, taking into consideration any Variation Margin requirements reflecting intra-day market movements, and compare the same with the then Margin Balance relating to such Clearing Member's House Position Account. If the Initial Margin and Additional Margin requirements relating to a Clearing Member's House Position Account, taking into consideration any intra-day movements, exceed the then Margin Balance relating to such Clearing Member's House Position Account by an amount equal to or greater than the Intra-day VM Limit set for such Clearing Member, then OTC Clear will make a Routine Intra-day VM Call with respect to such Clearing Member.

Routine Intra-day VM Call will be determined and presented in the Base Currency, and a Clearing Member may satisfy the Routine Intra-day VM Call either in cash in any Eligible Currency, or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures under the circumstances described in Clearing Rule 1211.

References to “intra-day market movements” as used in this section 4.1(ii)(b) means, with respect to an OTC Clear Clearing Day, any mark-to-market movements during the period from the completion of the End-of-Day Settlement Process on the immediately preceding OTC Clear Clearing Day to the time preceding the Routine VM Call Time, taking into account the latest market data then available, on such OTC Clear Clearing; and

- (c) Ad Hoc Intra-day VM Call (see section 4.4.3) – which may be made by OTC Clear at anytime on an OTC Clear Clearing Day if it determines that the then market conditions warrant an Ad Hoc Intra-day VM Call. The imposition of an Ad Hoc Intra-day VM Call, if applicable, will apply to each Clearing Member with respect to each Contract then registered in its name (including both House Position Account and Client Clearing Category 1 Position Account, if any). With respect to each such Contract, Ad Hoc Intra-day VM Call will be determined and presented in the Contractual Currency of the relevant Contract, and the Clearing Member shall satisfy the Ad Hoc Intra-day VM Call in such Contractual Currency. Please refer to the Web Portal User Manual for more details.

(iii) Additional Margin

- (a) Holiday Margin (see section 4.5.1) – OTC Clear may impose Holiday Margin in the circumstances described in section 4.5.1. Holiday Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Holiday Margin requirements either in cash in any Eligible Currency or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures; and

- (b) Others (see section 4.5.2) – OTC Clear may also impose additional Margin in the circumstances described in section 4.5.2. Each of Holiday Margin, Notional Exchange Failure Margin and any additional Margin imposed by OTC Clear in the circumstances described in section 4.5.2 shall be “**Additional Margin**”. Additional Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Additional Margin requirements either in cash in any Eligible Currency or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures. OTC Clear may demand Additional Margin on each OTC Clear Clearing Day: at 08:30 hours Hong Kong time, at 14:15 hours Hong Kong time and at any other time determined by OTC Clear between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time; and

- (b)(c) Notional Exchange Failure Margin (see section 4.5.3) – OTC Clear may also demand Notional Exchange Failure Margin in the circumstances described in section 4.5.3.

Pricing and market data for calculating Margin (including construction of curves used in such calculations) will be obtained by OTC Clear from external quotes and third party sources throughout an OTC Clear Clearing Day. Details of the relevant pricing and market data, as well as curve construction methodology, for Rates Derivatives Contracts and FX Derivatives Contracts are set out in sections 5.1 and 5.2 of these Clearing Procedures, respectively.

4.2.3 Risk Multiplier

Save and except for the Liquidity Risk Multiplier described in section 4.2.3.1 which OTC Clear may decide to impose in its sole discretion, OTC Clear may, in consultation with the Risk Management Committee, include different risk multipliers as part of the Initial Margin calculation where appropriate. The applicability of risk multipliers and the relevant thresholds will be reviewed regularly by OTC Clear. OTC Clear will notify Clearing Members if it decides to adopt a risk multiplier.

4.2.3.1 Liquidity Risk Multiplier

Liquidity risk multiplier (the “**Liquidity Risk Multiplier**”) is one type of risk multipliers that may be imposed by OTC Clear. OTC Clear will apply the Liquidity Risk Multiplier to the Initial Margin calculation of a Clearing Member’s Position Account if a Clearing Member’s portfolio of Contracts in its House Position Account or any of its Client Clearing Category 1 Position Accounts have exposures above set thresholds in a particular parameter, including but without limitation to currency, curve or underlying rate or in respect of the aggregate portfolio risk.

In order to determine the calibration of the levels of Liquidity Risk Multiplier to be applied to the Initial Margin calculations of a Clearing Member’s Position Account, OTC Clear may solicit bid/ask spread data or request other information from Clearing Members. The level of the Liquidity Risk Multiplier may vary from time to time, and OTC Clear will notify the Clearing Members of the updated level of the Liquidity Risk Multiplier.

As a result of the application of a Liquidity Risk Multiplier to the Initial Margin calculation with respect to a Position Account, additional Initial Margin will be required in respect of such Position Account.

4.2.3.2 Notional Exchange Risk Multiplier

The notional exchange risk multiplier (the “**Notional Exchange Risk Multiplier**”) is one type of risk multiplier that may be imposed by OTC Clear. OTC Clear will apply the Notional Exchange Risk Multiplier to the Initial Margin calculation of a Clearing Member’s Position Account based on the aggregate of the Initial Exchange Amounts and/or Final Exchange Amounts of the Standard Cross-currency Rates Derivatives Contracts in a Clearing Member’s House Position Account and its Client Position Accounts.

To calibrate the Notional Exchange Risk Multiplier, OTC Clear may solicit bid/ask spread data or request other information from Clearing Members (including but not limited to market volatility or market liquidity of different currency pair(s) over different time horizons). The level of the Notional Exchange Risk Multiplier may vary from time to time, and OTC Clear will notify the Clearing Members of the revised Notional Exchange Risk Multiplier.

After the application of the Notional Exchange Risk Multiplier, OTC Clear may request additional Collateral from Clearing Members.

4.3 Variation Margin

Variation Margin covers OTC Clear’s calculation of the amount that is required to settle the daily or intra-day diminution in the net present value (if any) of the Contracts in each Position Account. Collection of Variation Margin helps to ensure that the risk exposure assumed by OTC Clear is constantly monitored and that OTC Clear remains risk neutral.

4.3.1 Calculation and Valuation Process

OTC Clear will calculate, regularly, during the Margin Process Hours, the net present value and market price movements of each Contract using zero coupon curves constructed in accordance with Chapter 5 of these Clearing Procedures based on the latest market prices available from market sources. The

4.5.2 Others

In addition to the Holiday Margin described in section 4.5.1 and Notional Exchange Failure Margin in section 4.5.3, OTC Clear may impose Additional Margin requirements on a Clearing Member at its sole discretion in the following situations:

- (i) if a Clearing Member fails to maintain Capital in an amount at least equal to the greater of its Expected Uncollateralized Loss and Minimum Capital Requirement;
- (ii) if a Clearing Member fails to maintain Capital in an amount required to ensure the value of its then CM Funded Contribution Amount (determined on an OTC Clear Clearing Day as if it was a Rates and FX Contribution Determination Date) is less than 20% of the then total amount of the Capital of such Clearing Member (please see section 2.3.1 of these Clearing Procedures);
- (iii) if a Clearing Member's Membership is being suspended by OTC Clear pursuant to Clearing Rule 601;
- (iv) in the circumstances described under Clearing Rule 1510;
- (v) if the Margin Balance of a Clearing Member decreases due to either market movement affecting the value of such Collateral or change in the applicable Collateral Haircut, or if OTC Clear determines there are wrong-way risk concerns on any of a Clearing Member's Position Account(s); or
- (vi) if a Clearing Member has exceeded its Position Limit as described in Clearing Rule 1223(2).

In all other situations not specifically provided for under section 4.5.1, ~~or this section 4.5.2~~ or section 4.5.3, OTC Clear may impose Additional Margin requirements on a Clearing Member provided that it has first consulted with the Risk Management Committee.

4.5.3 Notional Exchange Failure Margin

OTC Clear may also demand Notional Exchange Failure Margin in the circumstances described in Clearing Rule 1002A. A Clearing Member must satisfy its Notional Exchange Failure Margin requirements in such form, in such amount and at such time as may be requested by OTC Clear pursuant to Clearing Rule 1002A.

4.6 Margin Process

Margin Process will be performed in respect of submission of Original Transactions for registration, and a de-registration request (see section 3.6 of the Clearing Procedures).

Sections 4.6.1 to 4.6.4 relate to the Margin Process conducted in respect of submission of Original Transactions, and section 4.6.5 relates to the Margin Process conducted in respect of a de-registration request.

4.6.1 Position Limits

Original Transactions submitted for registration must satisfy, without limitation, the following conditions:

- (i) Position Limits check as set out in this section 4.6.1; and
- (ii) Margin and credit check as set out in sections 4.6.2 and 4.6.3.

Pursuant to Clearing Rule 1222, OTC Clear may prescribe, amend or revoke Position Limits. In addition, unless with the prior written approval from OTC Clear, OTC Clear requires a Clearing Member to impose a House Account Limit or (if applicable) Client Account Limit in respect of its House

Position Account and Client Clearing Category 1 Position Account(s) in accordance with section 4.6.1.1. Each of the limits referred to in this section 4.6.1 is a Position Limit. OTC Clear will not register any Original Transaction if registering such Original Transaction will cause, among others, a Position Limit described herein to be breached. All Position Limits imposed by OTC Clear are subject to changes from time to time and OTC Clear will notify the relevant Clearing Member(s) in respect of any such changes.

4.6.1.1 Account Limits

Unless with the prior written approval from OTC Clear, a Clearing Member shall, as part of its risk management policies and procedures pursuant to section 2.3.3 of these Clearing Procedures, set a limit for all of its House Position Account ("**House Account Limit**") and/or (if it provides Client Clearing Services) for each of its Client Clearing Category 1 Position Account(s) separately (each a "**Client Account Limit**", and together with House Account Limit, the "**Account Limits**") in the Rates and FX Clearing System by utilizing the risk limit functionality. A Clearing Member shall inform OTC Clear in writing prior to making any changes to any Account Limits.

Notwithstanding that a Clearing Member may set any Account Limits, OTC Clear reserves the right to change any Account Limits from time to time if OTC Clear determines in its sole discretion that such Account Limits are not appropriate or commercially reasonable. OTC Clear will provide the relevant Clearing Member with reasonable advance notice, and in any event no less than two OTC Clear Business Days, prior to effecting any changes to the Account Limits, provided that if any such changes are required by Applicable Laws or the rules, regulations or requests of a Regulatory Authority, then OTC Clear may implement such changes without prior notice to the Clearing Member. Under normal circumstances, OTC Clear will most likely only lower an Account Limit. However, OTC Clear may consider increasing such Account Limits during the Default Management Process (for example, to allow porting of Affected Contracts to a Replacement Clearing Member) or for backloading of historical portfolios.

4.6.1.2 Absolute Risk Limit

OTC Clear may impose an absolute risk limit (the "**Absolute Risk Limit**") in respect of any Position Account. OTC Clear will use reasonable endeavour to provide the relevant Clearing Member with reasonable advance notice prior to imposing any Absolute Risk Limit. The Absolute Risk Limit is essentially a cap on OTC Clear's risk exposure to the relevant Position Account (for such purpose, each Client Clearing Category 1 Position Account will be treated separately). An Absolute Risk Limit will be established based on Margin, position or risk sensitivities relating to each relevant Position Account.

4.6.1.3 Notional Exchange Risk Limit

OTC Clear will impose a notional exchange risk limit (the "**Notional Exchange Risk Limit**") to all Position Accounts of each Clearing Member. The Notional Exchange Risk Limit shall be set per Clearing Member rather than per Position Account. The Notional Exchange Risk Limit is established to limit OTC Clear's risk exposure to the Initial Exchange Amounts and/or Final Exchange Amounts of Standard Cross-currency Rates Derivatives Contracts in the Position Account. OTC Clear will use reasonable endeavours to provide Clearing Members with reasonable advance notice prior to imposing or amending the Notional Exchange Risk Limit. In the event that the Notional Exchange Risk Limit of a Clearing Member's Position Account is fully utilised, Clearing Member may post additional cash Collateral in the same currency as the Notional Exchange Risk Limit to reduce the utilisation of the Notional Exchange Risk Limit and to accommodate more trades for registration.

The detailed Margin reports will show the End-of-Day Margin Requirements of each Clearing Member in respect of each of its Position Accounts. For information relating to Margin reporting, please refer to section 3.13 of these Clearing Procedures.

The End-of-Day Margin Requirements as shown in such Margin reports reflect the risk exposure of each relevant Contract on the Rates and FX Clearing System at a cut-off time of 18:00 hours Hong Kong time on an OTC Clear Clearing Day. The final Margin reports would be made available to each Clearing Member by 21:30 hours Hong Kong time on each OTC Clear Clearing Day.

4.7.2 Settlement of Margin Requirements

The table below summarises the timing and manner in which relevant Margin requirements shall be satisfied by Clearing Members*:

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
End-of-day Initial Margin	At 08:30 hours Hong Kong time on an OTC Clear Clearing Day via Margin call issued on the Web Portal	09:30 hours Hong Kong time on the OTC Clear Clearing Day on which the Margin call is made	Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Ad hoc intra-day Initial Margin	At any time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear on an OTC Clear Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
End-of-day Variation Margin	At 21:30 hours Hong Kong time on an OTC Clear Clearing Day by publication in the OTC Clear Settlement Report (Report Number STRP01)	10:30 hours Hong Kong time on the OTC Clear Clearing Day immediately following the publication of the end-of-day Margin report, provided that such day is a Currency Day for the currency in which the end-of-day Variation Margin is	Cash only in the Contractual Currency of the relevant Contract

* Non-cash Collateral will not be accepted at the initial phase of establishment of OTC Clear. As such, all Margin requirements must be satisfied by cash in an Eligible Currency during the initial phase. Please see Chapter 7 of these Clearing Procedures for more information on the types of eligible cash and non-cash Collateral and any applicable Collateral Haircut.

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
		denominated	
Routine Intra-day VM Call	At the Routine VM Call Time on an OTC Clear Business Day via Margin call on the Web Portal	Within an hour following the Routine Intra-day VM Call	Cash only in the Contractual Currency of the relevant Contract
Ad Hoc Intra-day VM Call	At any time determined by OTC Clear on an OTC Clear Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash only in the Contractual Currency of the relevant Contract
Holiday Margin	At 08:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period via Margin call on the Web Portal	By 09:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
<u>Notional Exchange Failure Margin</u>	<u>At any time determined by OTC Clear on an OTC Clear Business Day via Margin call on the Web Portal or Email</u>	<u>Within an hour following demand made by OTC Clear</u>	<u>Cash only in the specified currency required by OTC Clear</u>
Other Additional Margin	Up to three times on each OTC Clear Clearing Day: At (1) 08:30 hours Hong Kong time; (2) 14:15 hours Hong Kong time and (3) at any other time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear, in each case, on an OTC Clear Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures

Appendix I Fees Schedule

(i) Annual Fee, Registration Fee and Maintenance Fee

 (a) Standard Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract

Tariff	Annual Fee	Registration Fee	Maintenance Fee
Tariff A	HK\$ 5 million	Nil	HK\$ 20 on a monthly basis in respect of each Contract until its maturity.
Tariff B	HK\$ 1 million	In case of backloading, Nil for registration of a Contract. Otherwise HK\$ 750 for registration of a Contract.	HK\$ 60 on a monthly basis in respect of each Contract until its maturity.
Tariff C	Nil	In case of backloading, Nil for registration of a Contract. Otherwise HK\$ 1,500 for registration of a Contract.	HK\$ 120 on a monthly basis in respect of each Contract until its maturity.

(b) (b) Standard Cross-currency Rates Derivatives Contract

Tenor	Fee Rate	
	Registration Fee	Maintenance Fee
<u>0 – 1 year</u>	<u>0.0015% of the notional amount of the USD leg of the Contract.</u>	<u>0.00008% of the notional amount of the USD leg of the Contract, on a monthly basis in respect of each Contract until its maturity.</u>
<u>>1 – 3 years</u>	<u>0.0035% of the notional amount of the USD leg of the Contract.</u>	
<u>>3 – 5 years</u>	<u>0.0065% of the notional amount of the USD leg of the Contract.</u>	Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears.
<u>>5 – 7 years</u>	<u>0.0085% of the notional amount of the USD leg of the Contract.</u>	
<u>>7 – 10 years</u>	<u>0.0115% of the notional amount of the USD leg of the Contract.</u>	

(c) FX Derivatives Contract

Tariff	Annual Fee	Registration Fee
Tariff A	HK\$ 5 million	In case of backloading, HK\$ 3.9 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 7.8 per each million notional amount (in USD) for registration of a Contract.
Tariff B	HK\$ 1 million	In case of backloading, HK\$ 11.7 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 23.4 per each million notional amount (in USD) for registration of a Contract.
Tariff C	Nil	In case of backloading, HK\$ 23.4 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 46.8 per each million notional amount (in USD) for registration of a Contract.

(ii)- De-registration Fee

HK\$ 250 in respect of each Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract, Non Deliverable Rates Derivatives Contract or FX Derivatives Contract previously registered in its name that has been de-registered.

(iii) Fee for Resetting Password

HK\$ 50 per each password reset or retrieval for the Web Portal (excluding, for the avoidance of doubt, password provided for first time log on).

(iv) Fee for Retrieval of Reports Removed from the Web Portal and/or Printing of Reports

HK\$ 5 per page, up to HK\$ 1,000 per each report.

(v) Accommodation charges, administrative fees and/or commitment fees for credit lines in respect of any non-cash Collateral

The methodologies used for determining the relevant fees will be notified by OTC Clear to the Clearing Members when non-cash Collateral is accepted.

(vi) Default Interest Rate

Default Interest Rate, with respect to an Eligible Currency, represents the higher of (i) best lending rate obtained by OTC Clear from its banker plus 2% per annum and (ii) the relevant interbank offered rate for such Eligible Currency plus 2% per annum.

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