

## Amendments to OTC Clear's Clearing Rules and Clearing Procedures

### Chapter 1 Definitions and Interpretation

	Currency Cum VM Flow(t-1))
<b>"General Losses"</b>	has the meaning given to it in Clearing Rule 1515(2);
<b>"GF Account"</b>	has the meaning given to it in Clearing Rule 905;
<b>"GF Increase Effective Date"</b>	has the meaning given to it in Clearing Rule 1512;
<b>"Governmental Authority"</b>	means any Regulatory Authority and any national, federal, supranational, state, regional, provincial, local or other government, government department, ministry, governmental or administrative authority, regulator, agency, commission, secretary of state, minister, court, tribunal, judicial body or arbitral body or any other Person exercising judicial, executive, interpretative, enforcement, regulatory, investigative, fiscal, taxing or legislative powers or authority anywhere in the world with competent jurisdiction;
<b>"Hedging"</b>	means the process of mitigating or reducing the market risk associated with the occurrence of a DMP Event with respect to a Clearing Member, as described in Chapter 18 of these Clearing Rules;
<b>"<del>HKEX</del><u>HKEX</u>"</b>	means Hong Kong Exchanges and Clearing Limited, a recognized exchange controller under the SFO which is the controller of OTC Clear;
<b>"<del>HKEX</del><u>HKEX</u> website"</b>	means the official website of <del>HKEX</del> <u>HKEX</u> at <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> or at such other website address specified by <del>HKEX</del> <u>HKEX</u> or OTC Clear from time to time;
<b>"HKMA"</b>	means the Hong Kong Monetary Authority;
<b>"Hong Kong"</b>	means the Hong Kong Special Administrative Region;
<b>"Hong Kong dollars" or "HK\$"</b>	means the lawful currency of Hong Kong;
<b>"House Account"</b>	means a House Position Account or House Collateral Account;
<b>"House Auction Portfolio"</b>	has the meaning given to it in Clearing Rule 1913A;
<b>"House Business"</b>	means Contracts recorded in the House Position Account of a Clearing Member;
<b>"House Collateral Account"</b>	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;
<b>"House Credit"</b>	has the meaning given to it in Clearing Rule 1306A(3);
<b>"House Position Account"</b>	has the meaning given to it in Clearing Rule 902(1);

	<p>overseas<sup>*</sup>), an Authorized Institution that is a DTC or RLB incorporated overseas<sup>*</sup>, or a Remotely Regulated Entity, the higher of:</p> <p>(a) HK\$10 billion; and</p> <p>(b) an amount equal to the product of (i) 5% and (ii) the average of the aggregate Initial Margin requirements in respect of all Position Accounts (including the House Position Account and all Client Position Accounts) of the Clearing Member for each day falling in the immediately preceding calendar month;</p> <p>(2) with respect to any Clearing Member who is an Authorized Institution that is a DTC or RLB incorporated in Hong Kong, the higher of:</p> <p>(a) HK\$ 390 million;</p> <p>(b) the capital requirement applicable to such Clearing Member set forth in the Seventh Schedule to the Banking Ordinance; and</p> <p>(c) an amount equal to the product of (i) 5% and (ii) the average of the aggregate Initial Margin requirements in respect of all Position Accounts (including the House Position Account and all Client Position Accounts) of the Clearing Member for each day falling in the immediately preceding calendar month; and</p> <p>(3) with respect to any Clearing Member who is a Licensed Corporation, the higher of:</p> <p>(a) HK\$ 390 million;</p> <p>(b) the “required liquid capital” set forth by the Financial Resources Rule; and</p> <p>(c) an amount equal to the product of (i) 5% and (ii) the average of the aggregate Initial Margin requirements in respect of all Position Accounts (including the House Position Account and all Client Position Accounts) of the Clearing Member for each day falling in the immediately preceding calendar month;</p>
<b>“Minimum Capital Requirement Breach Period”</b>	has the meaning given to it in Clearing Rule 404(1);
<b>“Mitigating</b>	means the measures set out in sub-paragraphs (ii)(b), (ii)(c) and

<sup>\*</sup> Note: Introduction of remote membership is being considered by ~~HKEX~~-HKEX at the moment, and is not intended to be available during the initial phase of establishment of OTC Clear.

<b>Amount”</b>	
<b>“Notional Exchange Failure Margin”</b>	has the meaning given to it in Clearing Rule 1002A;
<b>“Notional Exchange Risk Limit”</b>	has the meaning given to it in section 4.6.1.3 of the Clearing Procedures;
<b>“Offshore CNY Center”</b>	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;
<b>“open position”</b>	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;
<b>“Original FX Derivatives Transaction”</b>	means an Original Transaction in relation to a FX Derivatives transaction;
<b>“Original Non Deliverable Rates Derivatives Transaction”</b>	means an Original Transaction in relation to a Non Deliverable Rates Derivatives transaction;
<b>“Original Standard Cross-currency Rates Derivatives Transaction”</b>	means an Original Transaction in relation to a Standard Cross-currency Rates Derivatives transaction;
<b>“Original Standard Rates Derivatives Transaction”</b>	means an Original Transaction in relation to a Standard Rates Derivatives transaction;
<b>“Original Transaction”</b>	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;
<b>“OTC Clear”</b>	means OTC Clearing Hong Kong Limited, a company incorporated under the laws of Hong Kong, which is a subsidiary of <del>HKE</del> <u>HKEX</u> ;
<b>“OTC Clear Board”</b>	means the board of directors of OTC Clear and, where the context so permits, any committee of that board;
<b>“OTC Clear Business Day”</b>	means a day (other than Saturday and Sunday) on which commercial banks are open for general business in Hong Kong;
<b>“OTC Clear Clearing Day”</b>	means, at any time, each day appearing on the OTC Clear Clearing Days Calendar that is in effect at such time;

- (5) if a Force Majeure Event occurs with respect to OTC Clear, OTC Clear shall be entitled to suspend the whole or any part of the operations of the Rates and FX Clearing Services. OTC Clear shall notify all Clearing Members as soon as practicable upon a decision to either suspend or resume any operation of the Rates and FX Clearing Services pursuant to this sub-paragraph (5);
  - (6) if a Force Majeure Event or Illegality has occurred with respect to a Clearing Member, such Clearing Member shall use all reasonable endeavours to mitigate the effects of the same upon its ability to perform its obligations to OTC Clear; and
  - (7) each Clearing Member affected by the Force Majeure Event or Illegality shall notify OTC Clear immediately as soon as its ability to perform is no longer affected by the Force Majeure Event or Illegality (or, if OTC Clear is the person affected by the Force Majeure Event or Illegality, OTC Clear shall notify all Clearing Members in relation to the cessation of the Force Majeure Event or Illegality).
211. In exercising its powers under Clearing Rule 210, OTC Clear shall act in good faith and have regard to its duties as a recognized clearing house under the SFO. Any decisions made pursuant to, and any exercise of powers under, Clearing Rule 210 shall be final and binding against all Clearing Members for the purposes of these Clearing Rules and not be subject to challenge by any such Clearing Members or any other Person under these Clearing Rules or otherwise.

#### **Disclosure of Information**

212. All information provided to or in the possession of OTC Clear regarding past or current positions carried by OTC Clear for a Clearing Member, Margin payments between OTC Clear and a Clearing Member or deliveries made by or to a Clearing Member and any financial statements submitted to OTC Clear by any Clearing Member shall be kept confidential by OTC Clear in accordance with such procedures or policies as OTC Clear may from time to time determine. Notwithstanding the foregoing, OTC Clear may disclose any information described in the immediately preceding sentence, any information received from a Clearing Member and any other information in connection with a Clearing Member at any time:
- (1) with the written consent of the Clearing Member involved;
  - (2) to ~~HKE~~HKEX and any of its Affiliates and any Representatives, committees, auditors or advisers of ~~HKE~~HKEX or any Affiliate of OTC Clear which is a recognized exchange company or a recognized clearing house under the SFO;
  - (3) pursuant to any requirement or request of any Governmental Authority, including, but not limited to, the SFC, HKMA and the Inland Revenue Department of the Hong Kong government; or to any Person required by or in accordance with the Tax Information Exchange Framework;
  - (4) pursuant to any order of a court of competent jurisdiction;
  - (5) as expressly permitted by the Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such

disclosure is necessary for the proper management of an Event of Default and the implementation by OTC Clear and Clearing Members of settlement of any Contract provided that where OTC Clear discloses any information to any Clearing Member in such circumstances, the receiving Clearing Member shall treat such information as confidential information and shall not make the information known or available to any other Person or use the information for any purpose other than that for which it has been disclosed by OTC Clear;

- (6) to any insurer, insurance broker or banker in connection with any arrangement in support of the Rates and FX Guarantee Resources;
- (7) to any professional advisers, auditors or consultants of OTC Clear;
- (8) as required by any Applicable Law;
- (9) to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or ~~HKEx~~-HKEX has entered into an information sharing arrangement or reporting service agreement or pursuant to the Tax Information Exchange Framework, such trade repository or Governmental Authority may use, handle, store, transfer and disclose such information in accordance with the terms of any such information sharing arrangement, reporting service agreement or pursuant to the Tax Information Exchange Framework;
- (10) to any service provider or third party contractor whom OTC Clear has engaged to provide data processing or other similar services for OTC Clear, provided that any such persons shall be bound by confidentiality obligation or undertaking;
- (11) to any Person if the information comes into the public domain, other than as a result of a breach of this Clearing Rule 212 by OTC Clear or any of its Representatives; or
- (12) to any Client or Designated Person to which the information relates,

provided that, in any such case other than under sub-paragraphs (1), (3), (4), (5), (9) and (11) above, the confidentiality of the information is made known to the recipient (it being understood that, if more than one sub-paragraph of this sentence applies to a particular disclosure and that include any of sub-paragraph (1), (3), (4), (5), (9) or (11) above, then the confidentiality of the information need not be made known to the recipient).

Each Clearing Member agrees that OTC Clear has the power to publish aggregated trade information in respect of Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trade volumes, types of Contracts cleared and settled by OTC Clear, provided that the identity of Clearing Members or Clients cannot reasonably be determined from the data, statistics or other materials so published.

213. OTC Clear may direct a Clearing Member to provide it with any information requested by a trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or ~~HKEx~~-HKEX has entered into an

information sharing or reporting service agreement or arrangement or pursuant to the Tax Information Exchange Framework.

214. To the extent that the information to be provided by a Clearing Member to OTC Clear under Clearing Rule 213 or pursuant to any other obligations under the Clearing Rules constitutes personal data as defined in the Personal Data (Privacy) Ordinance, the Clearing Member shall:

- (1) ensure that the disclosure of personal data by the Clearing Member or its Representatives to OTC Clear is in all respects and in each case lawful;
- (2) ensure that the Clearing Member has obtained (and if requested by OTC Clear, provide) all necessary consents from the data subject prior to the disclosure of such personal data to OTC Clear, such consent to be sufficient to allow disclosure by OTC Clear of such personal data to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) upon request or as required by Applicable Law or the terms of any information sharing or reporting service agreement or arrangement that OTC Clear or ~~HKE~~HKEX has entered into or pursuant to the Tax Information Exchange Framework and to allow any subsequent use, handling, storage, transfer and disclosure by any such trade repository or Governmental Authority in accordance with the terms of any such information sharing or reporting service agreement or arrangement or pursuant to such Tax Information Exchange Framework;
- (3) ensure that the Clearing Member has fully complied with its obligations as a data user under the Personal Data (Privacy) Ordinance;
- (4) take all practicable steps to ensure that all personal data collected from relevant data subjects and disclosed to OTC Clear is accurate in all material respects;
- (5) where a Clearing Member provides Client Clearing Services to its Clients who are individuals, obtain from such Client a duly attested consent confirmation in the form prescribed by OTC Clear (from time to time) so as to ensure that personal data of such Client may be disclosed, transferred or provided by OTC Clear to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) upon request or as required by Applicable Law or the terms of any information sharing or reporting service agreement or arrangement that OTC Clear or ~~HKE~~HKEX has entered into or pursuant to the Tax Information Exchange Framework, and thereafter be used, handled, stored, transferred and disclosed by such trade repository or Governmental Authority in accordance with the terms of any such information sharing or reporting service agreement or arrangement or pursuant to such Tax Information Exchange Framework;
- (6) where a data subject withdraws, revokes or modifies any consent as described in sub-paragraph (2) above, the Clearing Member shall immediately inform OTC Clear of the same.

219. Members may be given orally or in writing, in person or by post, by electronic or wire transmission (including authenticated SWIFT), by telephone or facsimile, by posting on the ~~HKEx~~-HKEX website, or by any means of computer data transmission. Notwithstanding the immediately foregoing, in respect of any Notice of Default, Notice of Disciplinary Appeals Committee Hearing, Notice of Disciplinary Committee Hearing, or any other notices relating to suspension of Membership, or designation of an Early Termination Date in respect of the Contract(s) registered in the name(s) of some (but not all) Clearing Members, OTC Clear shall deliver such notices to the relevant Clearing Member(s) by post, electronic or wire transmission or facsimile.
220. In the case of communications sent by post to the address last specified by a Clearing Member as its address, the communications from OTC Clear shall be deemed to have been received by the Clearing Member on the following OTC Clear Business Day if the address is in Hong Kong and, if the address is outside Hong Kong, on such day as OTC Clear may from time to time specify with reference to the time the communications would be delivered to such address in the ordinary course of post. If the communications are delivered in person to such address, the communications will be deemed to have been received by the Clearing Member at the time of delivery made to such address.
221. In the case of communications made by OTC Clear to a Clearing Member by electronic or wire transmission, by telephone or facsimile, by posting on the ~~HKEx~~-HKEX website or any other instantaneous means, the communications shall be deemed to have been received by the Clearing Member immediately.
222. Unless otherwise provided in these Clearing Rules, all notices from Clearing Members to OTC Clear shall be given in writing and delivered in person or sent by post, or by facsimile transmission to the address ~~stated below~~ of OTC Clear (or such other address as OTC Clear may from time to time notify Clearing Members) or by authenticated SWIFT:
- ~~41/F Infinitus Plaza  
499 Des Voeux Road Central  
Hong Kong~~
- ~~Telephone: +852 2211 6508~~
- ~~Facsimile: +852 2427 1122~~
- ~~Website: <http://www.hkex.com.hk>~~
- ~~Attention: OTC Clear Team~~
223. Notice by Clearing Members to OTC Clear shall be deemed to have been given at the time of receipt by OTC Clear.

### **Process Agent**

224. Where an entity not incorporated or registered in Hong Kong is admitted as a Clearing Member, such Clearing Member shall appoint and maintain an agent in Hong Kong to act as its agent to accept service of process issued out of the courts of Hong Kong in relation to any proceedings in connection with any Clearing Documentation and shall deliver to OTC Clear a copy of the agreement relating to such appointment countersigned by such agent. No Clearing Member

## Chapter 4 Legal Obligations

### Continuing Obligations

401. Each Clearing Member shall at all times:

- (1) adhere strictly to, and be bound by, the Clearing Documentation and any conditions stipulated in the notice of approval of its Membership;
- (2) comply with the decisions, directions, directives, determinations, findings of fact and/or interpretation of the OTC Clear in the exercise or performance of any right, power, privilege, discretion, function, duty or obligation conferred on it by or pursuant to the Clearing Documentation;
- (3) be validly incorporated and existing under the laws of its jurisdiction of incorporation which is a jurisdiction acceptable to OTC Clear, (if relevant in such jurisdiction) be in good standing and have all the necessary approvals, licences and authorisations in place for the carrying on of its business in all jurisdictions;
- (4) have established a place of business in Hong Kong and be a Licensed Corporation or an Authorized Institution, provided that:
  - (a) a Licensed Corporation or an Authorized Institution which is not incorporated in Hong Kong may become a Clearing Member; and
  - (b) OTC Clear may admit any Person that is neither a Licensed Corporation nor an Authorized Institution (a **“Remotely Regulated Entity”**)\* as a Clearing Member subject to such Person having in place, in its country of incorporation and any other jurisdiction in which it conducts business, all regulatory authorizations, licenses, permissions and approvals which OTC Clear reasonably determines to be necessary for the Clearing Member to carry out its business as a Clearing Member in the relevant jurisdictions and subject to the provision of such opinions or other information as OTC Clear may require from time to time,and provided further that in each case, the relevant Clearing Member satisfies the obligations set out in section 2.1.8 of the Clearing Procedures;
- (5) act in good faith in its dealings with OTC Clear;
- (6) maintain Capital in an amount not less than the Minimum Capital Requirement and comply with all applicable Regulatory Capital

---

\* Note: Introduction of remote membership is being considered by ~~HKEX~~ HKEX at the moment, and is not intended to be available during the initial phase of establishment of OTC Clear.

paid to such Clearing Member and shall instead form part of the Total Available Resources for application in accordance with Clearing Rule 1516 in respect of such DMP Event.

Distributions of amounts pursuant to this Clearing Rule 1008A will take into account any deduction required to reflect any accommodation charges, administration costs or commitment fees for credit lines incurred by OTC Clear in respect of such non-cash Collateral in accordance with section 7.6.2 of the Clearing Procedures. Without prejudice to the foregoing, to the extent required by the Tax Information Exchange Framework or other Applicable Laws, OTC Clear shall be entitled to deduct or withhold Withholding Tax (whether withheld by OTC Clear or any other parties) from any payment of redemption proceeds received by OTC Clear on the non-cash Collateral to a Clearing Member (or from any other payment made by OTC Clear to a Clearing Member) and shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax.

1008B. No interest or other amount will be paid by OTC Clear to a Clearing Member in respect of any redemption proceeds received by OTC Clear on non-cash Collateral transferred to OTC Clear.

1008C If, for any reason, OTC Clear is unable to pay to the Clearing Member an amount representing redemption proceeds received by it in respect of any non-cash Collateral delivered by such Clearing Member to OTC Clear pursuant to Clearing Rule 1008A, such redemption proceeds will not be treated by OTC Clear as Margin and shall be subject to haircut in accordance with section 3.14 of the Clearing Procedures.

#### **Fees, Levies and Charges**

1009. Each Clearing Member shall pay to OTC Clear, in respect of every Contract to which that Clearing Member is party, such fees as may from time to time be prescribed by OTC Clear.

1010. OTC Clear may add to or change any fees payable by a Clearing Member at any time. OTC Clear shall make available the latest Fees Schedule (which is appended to the Clearing Procedures) on the ~~HKEX~~-HKEX website.

1011. All amounts payable by each Clearing Member pursuant to Clearing Rules 1003 to 1010 (inclusive) will, unless stated otherwise, be settled in accordance with the Clearing Procedures.

#### **Payments Calculation**

1012. On each OTC Clear Clearing Day, OTC Clear will determine the amounts payable by or to each Clearing Member in respect of its Position Account(s) and shall advise each Clearing Member of such amounts in accordance with the method of communication set out in the Clearing Procedures.

1013. OTC Clear may net the sums which would be payable by the relevant Clearing Member in respect of a particular account to OTC Clear on such date against the sums which would be payable by OTC Clear to such Clearing Member in respect of the same account on such date (in each case, including, without limitation, any amounts which became payable on or prior to such date and which remain unpaid and not otherwise discharged in full as at such date). For

## Chapter 13 Default Procedures

### Clearing Member Event of Default

1301. In these Clearing Rules, an “**Event of Default**” shall mean any event or circumstance which leads OTC Clear to determine that a 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. Without prejudice to the generality of the immediately foregoing, OTC Clear may take the occurrence of any one or more of the following events or circumstances as sufficient ground for determining that a Clearing Member is or appears to be unable, or likely to become unable, to meet such obligations:

- (1) failure by a Clearing Member to pay or deliver any amounts when due under the Clearing Documentation, including, without limitation, failure by a Clearing Member to pay any Remaining Balance in accordance with the time frame set out in, and under, Clearing Rule 1534 or failure by a Successful Bidder to pay any Auction Payment or Margin required following the completion of the auction of the relevant Auction Portfolio under Clearing Rule 1923;
- (2) failure by a Clearing Member to comply with the Regulatory Capital Requirement;
- (3) failure by a Clearing Member to maintain Capital in an amount not less than the Minimum Capital Requirement and such failure continues and is existing upon the expiry of the Minimum Capital Requirement Breach Period and the related Non-Default Unwind is not completed within 10 OTC Clear Business Days following the expiry of the Minimum Capital Requirement Breach Period;
- (4) a Clearing Member makes a material misstatement or omission (whether in the Membership Agreement or otherwise) or misleads or attempts to mislead OTC Clear, a recognized exchange controller which is the controller of OTC Clear or their respective employees or officers;
- (5) failure by a Clearing Member, within any required time period, to take any action required by OTC Clear to ensure compliance with the Clearing Documentation, including, without limitation, failure by a Clearing Member who is subject to disciplinary proceedings to commence the Non-Default Unwind following the expiry of the relevant Appeal Period pursuant to the terms of Clearing Rule 1409(1);
- (6) in respect of a Clearing Member which is also a participant or member of any clearing and settlement system operated by ~~HKE~~HKEX or any of its Affiliates:
  - (a) failure to meet any obligation owed by it to the central counterparty or operator of such system;
  - (b) breach of the rules or terms of participation or membership of such system;
  - (c) declaration of default by, or suspension or expulsion from participation or membership of such system;

## Chapter 14 Disciplinary Actions and Proceedings

### Situations Calling for Disciplinary Action

1401. OTC Clear may commence disciplinary proceedings against a Clearing Member:

- (1) if the Clearing Member contravenes any provisions of the Clearing Documentation or any conditions attached to its Membership, including any breach of its obligations, undertakings or representations by the Clearing Member under the Membership Agreement to which it is a party;
- (2) if the Clearing Member commits any act or omits to commit any act relating to its clearing activities which may adversely affect the reputation of OTC Clear, or the soundness or integrity of OTC Clear as a recognized clearing house;
- (3) if OTC Clear has determined that an Event of Default (excluding an Automatic Early Termination Event) has occurred in relation to that Clearing Member;
- (4) if the Clearing Member fails to provide information requested by an exchange, clearing house, Regulatory Authority or an organization with whom ~~HKE~~HKEX or OTC Clear has entered into an information sharing agreement;
- (5) if the Clearing Member fails to participate in the Default Management Process when required to do so under the Clearing Documentation or OTC Clear, after consultation with the Risk Management Committee, determines that the Clearing Member participated in the Default Management Process in bad faith;
- (6) if a Clearing Member is subject to an adverse finding by any Governmental Authority, Clearing Organization or Regulated Exchange in respect of its activities as a Clearing Member;
- (7) if the Clearing Member refuses to answer fully questions or produce books, records or other documents as may be required at or during the course of any disciplinary investigation or proceedings, or testifies falsely;
- (8) if the Clearing Member refuses to appear before the Disciplinary Committee, the Disciplinary Appeals Committee or any other committee of OTC Clear duly constituted under these Clearing Rules to deal with disciplinary matters, at or during the course of any disciplinary investigation or proceedings; or
- (9) if the Clearing Member fails to meet or comply with any disciplinary sanction or other requirement imposed on it.

OTC Clear will notify the relevant Regulatory Authority of a Remotely Regulated Entity in case any disciplinary proceedings have been commenced by OTC Clear against such Remotely Regulated Entity.

1402. An initial election by OTC Clear to commence disciplinary proceedings against a Clearing Member with respect to whom an Event of Default (excluding Automatic Early Termination Event) has occurred shall not prejudice, or otherwise affect, OTC Clear's right to subsequently deliver a Notice of Default, provided that an Event of

Management Group, provide such ongoing information to the Non-Defaulting Clearing Members as OTC Clear deems reasonably appropriate in respect of the progress of the Default Management Process, provided that OTC Clear is not under any obligation to disclose information in respect of the Default Management Process which, in the reasonable opinion of OTC Clear, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in OTC Clear's reasonable opinion, inappropriate for disclosure to Clearing Members.

### **Default Management Group**

1605. The Default Management Group shall convene:
- (1) immediately following the occurrence of a DMP Event, and at sufficiently frequent intervals thereafter for a period so long as may be necessary to assist OTC Clear in the implementation of the Default Management Process relating to such DMP Event; or
  - (2) at such other time as OTC Clear may deem appropriate and/or necessary from time to time.
1606. The Default Management Group shall be made up of representatives from both OTC Clear and Clearing Members.
1607. Upon request by OTC Clear, a Defaulting Clearing Member shall provide a representative to participate in the Default Management Group.
1608. The terms of reference of the Default Management Group will be published on ~~HKE~~~~x~~~~HKEX~~ website. Any amendment to the terms of reference of the Default Management Group will be subject to the approval of the OTC Clear Board. OTC Clear Board will, if it deems necessary, consult with the Risk Management Committee prior to approving any such proposed amendment.

### **Undertaking by Clearing Members**

1609. Each Clearing Member agrees, and shall procure, that:
- (1) it shall, at all times, provide representatives (each a "**DMG Delegate**") to participate in the processes described in Clearing Rules 1611 and 1612. The exact number of DMG Delegates that a Clearing Member shall provide, and the skill and expertise required from each such DMG Delegate will be notified by OTC Clear to each Clearing Member from time to time;
  - (2) if OTC Clear requests a substitute where it believes a Clearing Member's nominated representative in the Default Management Group, as appropriate, is conflicted for its role as a DMG Member, or does not have the requisite skills or expertise, it shall provide such substitute;
  - (3) its DMG Member will be fully available, at any time and for such periods of time as OTC Clear may require during the Default Management Process, to perform his function as a member of the Default Management Group including attending meetings in person or by telephone, considering and advising OTC Clear on the Default Management Process. The Clearing Member shall ensure that its DMG Member's other work commitments will not affect his availability for this purpose;
  - (4) to take all steps to respect the confidential capacity in which its DMG Member receives information through the Default Management Group and to establish

## Chapter 22 Product Specific Terms for Standard Rates Derivatives Contracts

### Product Specific Terms for Standard Rates Derivatives Contracts

2201. The terms of a Standard Rates Derivatives Contract shall include the following terms (together, the “**Standard Rates Derivatives Contract Terms**”):

- (1) Clearing Rules 2203 to 2210 (the “**Interpretation Provisions**”);
- (2) the Economic Terms; and
- (3) the General Terms, as set out in Clearing Rules 2217 to 2227,

each as interpreted in accordance with the Interpretation Provisions.

2202. In the event of any inconsistency between the Economic Terms and General Terms, the General Terms will prevail.

### Interpretation

2203. The ISDA Definitions (including all supplements thereto outstanding as at ~~15-May~~25 September 2017) are incorporated by reference into these Standard Rates Derivatives Contract Terms. Unless otherwise specified, capitalized terms used in the Standard 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.

2204. In respect of a Standard Rates Derivatives Contract denominated in CNY (offshore), the CNY (offshore) Disruption Provisions shall be incorporated by reference into the relevant Standard Rates Derivatives Contract Terms.

2205. In deriving the Economic Terms of the Standard Rates Derivatives Contract from the Transaction Data of the corresponding Original Standard Rates Derivatives Transaction, all references in the ISDA Definitions to a “**Swap Transaction**” shall be deemed to be an “**Original Standard Rates Derivatives Transaction**”.

2206. Subject to subsequent ISDA Amendment adopted by OTC Clear pursuant to Clearing Rule 2207, the ISDA Definitions and the Standard Rates Derivatives Contract Terms applicable to a Standard Rates Derivatives Contract shall be those applicable as at the Registration Time of such Standard Rates Derivatives Contract.

2207. 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 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.

2208. In respect of any adoption of ISDA Amendment by OTC Clear, such adopted ISDA Amendment shall govern the Standard Rates Derivatives Contract Terms of each Standard Rates Derivatives Contract then registered with OTC Clear, and any prospective payment obligations arising out of each such Standard Rates Derivatives Contract shall be construed accordingly.

2209. The Standard Rates Derivatives Contract Terms supplement, form part of, and are subject to these Clearing Rules. In the event of any inconsistency between the Standard Rates Derivatives Contract Terms and these Clearing Rules, these Clearing Rules will prevail.

2210. Except where expressly stated otherwise, all reference to “**Sections**” means Sections in the ISDA Definitions.

### **Economic Terms**

2211. The Economic Terms of a Standard Rates Derivatives Contract are derived from the Transaction Data relating to the corresponding Original Standard Rates Derivatives Transaction. The Original Standard 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 2212.

2212. The Economic Terms fields comprise:

- (1) Notional Amount (see Section 4.7 of the ISDA Definitions);
- (2) Currency (see Section 1.7 of the ISDA Definitions);
- (3) Trade Date (see Section 3.7 of the ISDA Definitions);
- (4) Effective Date (see Section 3.2 of the ISDA Definitions);
- (5) Termination Date (see Section 3.3 of the ISDA Definitions);
- (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) Floating Rate Payer (see Section 2.2 of the ISDA Definitions);
  - (e) Floating Rate Payer Payment Dates;
  - (f) Floating Rate Payer compounding dates (if applicable);
  - (g) Floating Rate Option (see Section 6.2(h) of the ISDA Definitions);
  - (h) Designated Maturity (see Section 7.3(b) of the ISDA Definitions) (if applicable);
  - (i) Spread (see Section 6.2(e) of the ISDA Definitions);
  - (j) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
  - (k) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions);
  - (l) Floating Rate (if applicable) (see Section 6.2(a) 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 Option (see Section 6.2(h) of the ISDA Definitions);
- (D) Designated Maturity (see Section 7.3(b) of the ISDA Definitions);
- (E) Spread (see Section 6.2(e) of the ISDA Definitions);
- (F) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
- (G) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions);
- (H) Floating Rate (if applicable) (see Section 6.2(a) 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 Option (see Section 6.2(h) of the ISDA Definitions);
- (D) Designated Maturity (see Section 7.3(b) of the ISDA Definitions);
- (E) Spread (see Section 6.2(e) of the ISDA Definitions);
- (F) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
- (G) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions);
- (H) Floating Rate (if applicable) (see Section 6.2(a) of the ISDA Definitions);  
and

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

2213. Pursuant to Clearing Rule 806(1), 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 Rates Derivatives Transaction, then upon registration of the same as two Standard 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 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.

2214. Pursuant to Clearing Rule 806(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 Rates Derivatives Transaction, then upon registration of the same as two Standard Rates Derivatives Contracts between OTC Clear and Clearing Member 3 (in respect of its Client 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 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

## Chapter 23 Product Specific Terms for Non Deliverable Rates Derivatives Contracts

### Product Specific Terms for Non Deliverable Rates Derivatives Contracts

2301. The terms of a Non Deliverable Rates Derivatives Contract shall include the following terms (together, the “**Non Deliverable Rates Derivatives Contract Terms**”):

- (1) Clearing Rules 2303 to 2310 (the “**Interpretation Provisions**”);
- (2) the Economic Terms; and
- (3) the General Terms, as set out in Clearing Rules 2317 to 2322,

each as interpreted in accordance with the Interpretation Provisions.

2302. In the event of any inconsistency between the Economic Terms and General Terms, the General Terms will prevail.

### Interpretation

2303. The ISDA Definitions (together with all supplements thereto outstanding as at ~~15 May~~25 September 2017) and the FX Definitions (including all supplements thereto outstanding as at ~~15 May~~25 September 2017) (the ISDA Definitions and FX Definitions together, the “**ND IRS Definitions**”), each outstanding as at ~~15 May~~25 September 2017 are incorporated by reference into these Non Deliverable Rates Derivatives Contract Terms. Unless otherwise specified, capitalized terms used in the Non Deliverable Rates Derivatives Contract Terms but not defined in the Clearing Documentation shall have the meanings given to them in the ND IRS Definitions. In the event of any inconsistency between the ISDA Definitions and the FX Definitions, the ISDA Definitions will prevail except that the FX Definitions will prevail for purposes of the “**Settlement Terms**” and “**Other Terms**” as set out in the ND IRS Template. In the event of any inconsistency between the ND IRS Definitions and the Clearing Documentation, the Clearing Documentation will prevail.

2304. The “**Asian Currencies Non-Deliverable Swap Transaction Standard Terms Supplement and Fallback Matrix**” outstanding as at ~~6 September 2016~~14 March 2017 published by ISDA or a recognized successor (the “**ND IRS Template**”) are incorporated by reference into the relevant Non Deliverable Rates Derivatives Contract Terms.

2305. If the terms of a ND IRS Template conflict with the ND IRS Definitions, the terms of the ND IRS Template shall prevail.

2306. In deriving the Economic Terms of the Non Deliverable Rates Derivatives Contract from the Transaction Data of the corresponding Original Non Deliverable Rates Derivatives Transaction, all references in the ISDA Definitions to a “**Swap Transaction**” shall be deemed to be “**Original Non Deliverable Rates Derivatives Transaction**”.

2307. Subject to the ND IRS Amendment adopted by OTC Clear pursuant to Clearing Rule 2308, the ND IRS Definitions and the Non Deliverable Rates Derivatives Contract Terms applicable to a Non Deliverable Rates Derivatives Contract shall be those applicable as at the Registration time of such Non Deliverable Rates Derivatives Contract.

2308. In case of any amendment to the ND IRS Definitions, the form of the relevant ND IRS Template, or publication of any supplement, annex or protocol by ISDA relating to the ND IRS Definitions (each a “**ND IRS Amendment**”), OTC Clear may, in its sole discretion, determine whether any such ND IRS Amendment should be adopted for the purpose of interpreting or implementing the Non Deliverable 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

- (6) Where Fixed Rate – Floating Rate Swap:
  - (p) Floating Rate (if applicable) (see Section 6.2(a) of the ISDA Definitions);
- (7)
  - (a) Reference Currency (Section 1.19 of the FX Definitions);
  - (b) Settlement Currency (Section 1.16(b) of the FX Definitions);
  - (c) in the event that the Currency Pair is not expressed in the format of “**Reference Currency – Settlement Currency**”, or no election is made with respect to which currency is the Reference Currency and which currency is the Settlement Currency, then the Settlement Currency will be deemed to be USD, or any other currency(ies) as specified by OTC Clear and notified to the Clearing Members from time to time;
- (8) Details of the relevant financial center(s) must be indicated in the Original Non Deliverable Rates Derivatives Transaction; and
- (9) 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).

2313. Pursuant to Clearing Rule 806(1), 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 Non Deliverable Rates Derivatives Transaction, then upon registration of the same as two Non Deliverable 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 Non Deliverable 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.

2314. Pursuant to Clearing Rule 806(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 Non Deliverable Rates Derivatives Transaction, then upon registration of the same as two Non Deliverable Rates Derivatives Contracts between OTC Clear and Clearing Member 3 (in respect of its Client 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 Non Deliverable 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 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 to, and receive Rate B from, such Clearing Member’s House Position Account, and pay Rate B to, and receive Rate A from, such Clearing Member’s Client Position Account relating to the Relevant Client.

## Chapter 24 Product Specific Terms for FX Derivatives Contracts

### Product Specific Terms for FX Derivatives Contracts

2401. The terms of a FX Derivatives Contract shall include the following terms (together, the “**FX Derivatives Contract Terms**”):

- (1) Clearing Rules 2403 to 2411 (the “**Interpretation Provisions**”);
- (2) the Economic Terms; and
- (3) the General Terms, as set out in Clearing Rules 2418 to 2422,

each as interpreted in accordance with the Interpretation Provisions.

2402. In the event of any inconsistency between the Economic Terms and the General Terms, the General Terms will prevail.

### Interpretation

2403. Sections 8.1 and 8.2 of the ISDA Definitions and the FX Definitions (Sections 8.1 and 8.2 of the ISDA Definitions and the FX Definitions together, the “**ISDA FX Definitions**”), each outstanding as at ~~15 May~~25 September 2017, are incorporated by reference into these FX Derivatives Contract Terms. Unless otherwise specified, capitalized terms used in the FX Derivatives Contract Terms but not defined in the Clearing Documentation shall have the meanings given to them in the ISDA FX Definitions. In the event of any inconsistency between the ISDA FX Definitions and the Clearing Documentation, the Clearing Documentation will prevail.

2404. Any template terms of an FX Derivatives Contract outstanding as at ~~15 May~~25 September 2017 recommended by EMTA or a recognized successor (the “**EMTA Template**”) are incorporated by reference into the relevant FX Derivatives Contract Terms.

2405. If the terms of an EMTA Template conflict with the ISDA FX Definitions, the terms of the EMTA Template shall prevail.

2406. In deriving the Economic Terms of the FX Derivatives Contract from the Transaction Data of the corresponding Original FX Derivatives Transaction, all references in the ISDA FX Definitions to an “**FX Transaction**” shall be deemed to be references to an “**Original FX Derivatives Transaction**”.

2407. Subject to subsequent ISDA FX Amendment adopted by OTC Clear pursuant to Clearing Rule 2408, the ISDA FX Definitions and the FX Derivatives Contract Terms applicable to a FX Derivatives Contract shall be those applicable as at the Registration Time of such FX Derivatives Contract.

2408. In case of any amendment to the ISDA FX Definitions, the form of the relevant EMTA Template or publication of any supplement, annex or standard terms relating to the ISDA FX Definitions by ISDA, EMTA or FXC jointly or severally (each, an “**ISDA FX Amendment**”), OTC Clear may, in its sole discretion, determine whether any such ISDA FX Amendment should be adopted for the purpose of interpreting or implementing the FX 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 FX Amendment by OTC Clear.

2409. In respect of any adoption of ISDA FX Amendment by OTC Clear, such adopted ISDA FX Amendment shall govern the FX Derivatives Contract Terms of each FX Derivatives Contract then registered with OTC Clear, and any prospective payment obligations arising out of each such FX Derivatives Contract shall be construed accordingly.

## 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 ~~15 May~~25 September 2017) 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.

- (9) Where Fixed Rate – Floating Rate Swap:
- (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);
  - (n) Floating Rate (if applicable) (see Section 6.2(a) 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);
    - (I) Floating Rate (if applicable) (see Section 6.2(a) 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);
    - (I) Floating Rate (if applicable) (see Section 6.2(a) of the ISDA Definitions);
- and

# OTC Clearing Hong Kong Limited Clearing Procedures

## Table of Contents

### **Chapter 1 Introduction to Clearing Procedures**

- 1.1 Interpretation
- 1.2 Amendments
- 1.3 Operations of the Rates and FX Clearing Services

### **Chapter 2 Membership**

- 2.1 Membership Application Process
- 2.2 Future Categories of Membership
- 2.3 Clearing Members' On-going Requirements and Obligations
- 2.4 Client Clearing
- 2.5 Changes to conditions of Membership
- 2.6 Notification
- 2.7 Audit, Inspection or System Tests
- 2.8 Suspension, Termination and Resignation
- 2.9 Capped Liability Period

### **Chapter 3 Rates and FX Clearing Services**

- 3.1 Overview
- 3.2 Approved Trade Registration System
- 3.3 Process of Registration and Rejection
- 3.4 Product Eligibility Requirements
- 3.4A Suspension of Product
- 3.5 Error Contract
- 3.6 De-registration
- 3.7 Accounts
- 3.8 Settlement Components
- 3.9 Procedures for Voluntary Deposit of Cash Collateral, porting of Cash Collateral representing Excess Margin and Withdrawal of Cash Collateral representing Excess Margin and Rates and FX Contribution Excess
- 3.10 Types of Securities Acceptable as Non-cash Collateral and Procedures for Voluntary Deposit of Non-Cash Collateral, porting of Non-Cash Collateral representing Excess Margin and Withdrawal of Non-Cash Collateral representing Excess Margin

## **Chapter 8 Default Management**

- 8.1 Interpretation and Overview
- 8.2 Member Obligations
- 8.3 Scope and Responsibility of Default Management Group
- 8.4 Suspension of Activities
- 8.5 Hedging (Risk Neutralizing)
- 8.6 Auction
- 8.7 Portfolio Splitting and Re-composition
- 8.8 Cost of Default and Loss Attribution
- 8.9 Post Auction Communication
- 8.10 Review
- 8.11 Porting of Affected Contracts and Collateral to a Replacement Clearing Member

## **Chapter 9 Special Events / Business Continuity**

- 9.1 Arrangement for Special Events
- 9.2 Primary Data Center
- 9.3 Service Outage
- 9.4 Special Arrangement for Valuation of a Standard Rates Derivatives Contract which is Denominated in HK\$ under Adverse Weather Conditions
- 9.5 Special Arrangement of Voluntary Deposit of Cash Collateral, Porting of Excess Margin and Withdrawal of Excess Margin and Rates and FX Contribution Excess under Adverse Weather Conditions

## **Chapter 10 Determination of Close-out Value, Winding Down of the Rates and FX Clearing Service and OTC Clear Default**

- 10.1 Close-out Value
- 10.2 Rates and FX Clearing Termination Event
- 10.3 OTC Clear Default
- 10.4 Product Suspension Event

## **Appendix I Fees Schedule**

## **Appendix II Additional Financial Centers**

## **Appendix III Template Hong Kong law Deed of Charge – House Collateral Account**

## **Appendix IV Template Hong Kong law Deed of Charge – Client Collateral Accounts**

## **Appendix V Floating Rate Options and Designated Maturities Accepted for a Calculation Period to which Stub or Interpolation is Applicable**

## **Glossary**

## Chapter 2

### Membership

#### 2.1 Membership Application Process

##### 2.1.1 Application Form

An Applicant must complete OTC Clear's membership application form (the "**Application Form**"), which can be found on the ~~HKEX~~-HKEX website or obtained directly from OTC Clear's office. The Application Form together with the supplementary documents (please see section 2.1.2) should be submitted to OTC Clear for its review.

OTC Clear reserves the right to amend the form of the Application Form from time to time.

For further information, please contact OTC Clear at:

OTCMembership@hkex.com.hk

##### 2.1.2 Document Checklist for Membership Assessment (One-Off)

Each Applicant is required to submit the documents listed in the Application Form to OTC Clear for membership assessment purpose. Applicants should contact OTC Clear at OTCMembership@hkex.com.hk in case of any queries relating to the nature or contents of the documents required to be submitted to OTC Clear for membership assessment purpose.

In respect of any documents to be submitted to OTC Clear that are not written in the English language, Applicants shall provide OTC Clear with copies of English translations for the same, with any translation costs to be borne by the relevant Applicant. All English translation shall be prepared by translators acceptable to OTC Clear and certified by such translators to the effect that the English translation accurately and completely reflects the contents of the document in its original language.

##### 2.1.3 Inspection and Site Visit

An on-site inspection may be required for membership assessment purpose. An on-site inspection will be mandatory for any Applicant that has not been a clearing member of any over-the-counter central clearing counterparty of international repute for a continuous period of 5 years before the date of its application to OTC Clear. Applicants should make themselves available for inspection provided that OTC Clear has given 28 calendar days' written notice prior to the proposed inspection date, or such other notice period as OTC Clear and the relevant Applicant may otherwise agree.

OTC Clear will provide an Applicant with details of the area to be inspected in the inspection notice, for example, OTC Clear may inspect an Applicant's risk management systems and other systems.

##### 2.1.4 Review and Assessment Process

OTC Clear will collect and review information provided by each Applicant for the purpose of assessing its membership eligibility. The processing of an application will vary from case to case, but it is expected that the application review process should generally be completed within two months from the date OTC Clear is in receipt of all required documents and information.

##### 2.1.5 Approval of Application

Once the application review process has been completed by OTC Clear, the application will be approved or rejected by the OTC Clear Board, in consultation with the Risk Management Committee (provided that such committee has been constituted).

Pursuant to Clearing Rule 308, the OTC Clear Board may, in consultation with the Risk Management Committee (provided that such committee has been constituted), also approve an application in principle subject to the Applicant's fulfilment of conditions set by the OTC Clear Board. Upon receipt of the conditional approval, the Clearing Member may submit Original Transactions for registration by OTC Clear, provided that Clearing Rule 308 shall apply if a Clearing Member fails to fulfil the conditions within the specific time.

The OTC Clear Board's decision will be final and Applicants will be given written notice of approval or rejection. A failed Applicant may request OTC Clear to provide reasons for rejection of its application for Membership.

In accordance with Clearing Rule 405, Membership may not be assigned, transferred or sold without the prior written approval of OTC Clear Board.

#### **2.1.6 Execution of Membership Agreement and Initial Contribution to the Rates and Guarantee Fund**

An Applicant's Membership will only become effective if OTC Clear has received the following:

- (i) two copies of the Membership Agreement signed by the authorized signatory(ies) of the Applicant; and
- (ii) such Applicant's initial contribution to the Rates and FX Guarantee Fund, as determined pursuant to section 6.1.1 of these Clearing Procedures, to be delivered to OTC Clear within the time period set out in Clearing Rule 1504.

#### **2.1.7 Designated Person**

A Designated Person may submit Original Transactions for registration on behalf, and in the name, of its Clearing Member pursuant to the provisions of Chapter 7 of the Clearing Rules.

#### **2.1.8 Additional Documents Required in respect of Non-Hong Kong Incorporated Persons**

Where a Licensed Corporation or an Authorized Institution with jurisdiction of incorporation outside Hong Kong, or a Remotely Regulated Entity (a "**Non-Hong Kong Incorporated Person**") applies to become a Clearing Member, OTC Clear may require such Non-Hong Kong Incorporated Person to demonstrate in its application the ability to satisfy the obligations of a Clearing Member (including but not limited to those set out in Clearing Rule 401(4)), and to provide legal opinions on, among others, the enforceability of OTC Clear's rights under the Clearing Documentation against such Non-Hong Kong Incorporated Person if it were a Clearing Member in respect of the jurisdiction of incorporation of such Non-Hong Kong Incorporated Person.\*

### **2.2 Future Categories of Membership**

Pursuant to Clearing Rule 301, OTC Clear may, after consultation with the Risk Management Committee, establish one or more categories of membership in the future. OTC Clear will notify the Clearing Members of any new category(ies) of membership established, and provide details of the same.

---

\* Note: Introduction of remote membership is being considered by ~~HKE~~HKEX at the moment and is not intended to be available during the initial phase of establishment of OTC Clear.

## Chapter 3

### Rates and FX Clearing Services

#### 3.1 Overview

Upon execution of an Original Transaction, Clearing Members or Clients who are parties to such Original Transaction and who wish to submit such Original Transaction for registration with OTC Clear shall submit or, in the case of a Client, request the relevant Clearing Member to submit such instructions to the same Approved Trade Registration System. Upon receipt of the instructions from the Clearing Members, the Approved Trade Registration System will perform matching of the instructions. As described in section 3.2, each Approved Trade Registration System is a system provided by a third-party vendor and as such, OTC Clear will not be responsible or liable for any such trade matching performed by any such Approved Trade Registration System.

After an Original Transaction is matched by an Approved Trade Registration System, Clearing Members can submit an Original Transaction to OTC Clear for registration via an Approved Trade Registration System. Any Original Transaction which is submitted for registration is required to fulfil the applicable product eligibility requirements set out in section 3.4 and “Margin Process” as described in section 4.6 of these Clearing Procedures. The results of the registration will be communicated to the relevant Approved Trade Registration System and/or indicated in the “OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP03, TDRP04, TDRP05 or TDRP06)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP01\_C, TDRP02\_C, TDRP03\_C, TDRP04\_C, TDRP05\_C or TDRP06\_C)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP03, TDRP04, TDRP05 or TDRP06)” and “OTC Clear Trade Report for Client (Report Number TDRP01\_C, TDRP02\_C, TDRP03\_C, TDRP04\_C, TDRP05\_C or TDRP06\_C)” are available to the Clearing Members on the Web Portal.

The ISDA Definitions and FX Definitions are incorporated by reference into this Chapter 3. References to “Business Day(s)” as used in this Chapter 3 shall have the meaning given to it in the ISDA Definitions. For the avoidance of doubt, the meaning of “Business Day” incorporated by reference in Chapter 23 and Chapter 24 of the Clearing Rules shall not be applicable in this Chapter 3.

#### 3.2 Approved Trade Registration System

OTC Clear does not discriminate or distinguish between Original Transactions based upon execution method or venue. However, Original Transactions can only be submitted through an Approved Trade Registration System. Any Original Transaction submitted to OTC Clear through an Approved Trade Registration System shall be deemed to be submitted for or by the relevant Clearing Member. The Approved Trade Registration Systems designated by OTC Clear are the matching and confirmation service for over-the-counter derivatives transactions provided by (i) MarkitSERV Limited (“**MarkitWire**”), (ii) ~~the HKMA (the “**HKTR-MC service**”)~~ and (iii) MarkitSERV, LLC (“**DSMatch**”) (each an “**Approved Trade Registration System**”). OTC Clear only accepts an Original Transaction that is submitted via one of the relevant Approved Trade Registration Systems. Please refer to the ATRS Guide which sets out each data field on an Approved Trade Registration System accepted by OTC Clear for the purpose of submission of an Original Transaction for registration as Contracts. The ATRS Guide will also provide the relevant values applied by OTC Clear in respect of certain data fields. Each Clearing Member agrees and acknowledges that it shall be bound by the ATRS Guide.

Each of the Approved Trade Registration Systems is a system provided by a third-party vendor. OTC Clear has no involvement in and does not guarantee the level of performance, integrity or efficiency in

### 3.3.1 Creation of Contracts through Submission of Original Transactions by Clearing Members - Status of Registration of a Transaction and Notification of Results

If an Original Transaction satisfies the applicable product eligibility requirements set out in section 3.4, but does not satisfy the "Margin Process" as set out in section 4.6 of these Clearing Procedures, such Original Transaction 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 transaction will be flagged as "WAIT\_MARGIN", "LIMIT\_FAILED" or "PROCESSING" in the "OTC Clear Trade Report (Report Number TDRP03 or TDRP04)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP03\_C or TDRP04\_C)" in relation to any Client Position Account. Both "OTC Clear Trade Report (Report Number TDRP03 or TDRP04)" and "OTC Clear Trade Report for Client (Report Number TDRP03\_C or TDRP04\_C)" are available to the Clearing Members on the Web Portal.

Any "pending" Original Transaction (save and except any "pending" Original Standard Cross-currency Rates Derivatives 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 (save and except any "pending" Original Standard Cross-currency Rates Derivatives Transaction) satisfies the applicable product eligibility requirements set out in section 3.4 will be rejected by OTC Clear.

Any Original Standard Cross-currency Rates Derivatives Transaction that is submitted to OTC Clear for registration between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day and put on "pending" status in the Rates and FX Clearing System will be rejected by OTC Clear if it is not accepted for registration by the commencement of the End-of-Day Settlement Process on the immediately following OTC Clear Clearing Day. Otherwise any "pending" Original Standard Cross-currency Rates Derivatives Transaction that is not accepted for registration by the commencement of the End-of-Day Settlement Process on the OTC Clear Clearing Day on which such "pending" Original Standard Cross-currency Rates Derivatives Transaction satisfies the applicable product eligibility requirements set out in section 3.4 will be rejected by OTC Clear.

The result of rejection 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)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP05\_C or TDRP06\_C)" in relation to any Client Position Account. Both "OTC Clear Trade Report (Report Number TDRP05 or TDRP06)" and "OTC Clear Trade Report for Client (Report Number TDRP05\_C or TDRP06\_C)" are 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)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP01\_C or TDRP02\_C)" in relation to any Client Position Account. Both "OTC Clear Trade Report (Report Number TDRP01 or TDRP02)" and "OTC Clear Trade Report for Client (Report Number TDRP01\_C or TDRP02\_C)" are 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)" or "OTC Clear Trade Report for Client (Report Number TDRP01\_C or TDRP02\_C)".

- (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 if the relevant Notional Amount is denominated in KRW, or an integer or a number rounded up to two or less decimal points if the relevant Notional Amount is denominated in USD, EUR, HK\$, CNY (offshore), CNY, INR, MYR, THB or TWD; 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, section 3.4.2.9 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) for the purpose of this section 3.4.2.8, section 3.4.2.9, section 3.4.2.10, section 3.4.2.12 and section 3.4.2.19:

(a) with regard to a Floating Rate Payer of an Original Transaction:

(A) “stub” will be applicable to the initial Calculation Period in respect of such Floating Rate Payer provided that the initial Calculation Period (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) has a different interval than the subsequent Calculation Period(s) in respect of such Floating Rate Payer and:

(1) if there are only two Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction, the interval of the subsequent Calculation Period is the same as the frequency of payment of Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; or

(2) if there are more than two Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction, the interval of each subsequent Calculation Period is the same as the frequency of payment of Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; and

(B) “stub” will be applicable to the final Calculation Period in respect of such Floating Rate Payer provided that the final Calculation Period (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) has a different interval as compared to the preceding Calculation Period(s) in respect of such Floating Rate Payer and:

(1) if there are only two Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction, the interval of the preceding Calculation Period is the same as the frequency of payment of Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; or

(2) if there are more than two Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction, the interval of each preceding Calculation Period is the same as the frequency of payment of Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; and

(b) with regard to a Fixed Rate Payer of an Original Transaction:

(A) “stub” will be applicable to the initial Calculation Period in respect of such Fixed Rate Payer provided that the initial Calculation Period (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) has a different interval as compared to the subsequent Calculation Period(s) in respect of such Fixed Rate Payer and:

(1) if there are only two Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction, the interval of the subsequent Calculation Period is the same as the frequency of payment of Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; or

(2) if there are more than two Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction, the interval of each subsequent Calculation Period is the same as the frequency of payment of Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; and

(B) “stub” will be applicable to the final Calculation Period in respect of such Fixed Rate Payer provided that the final Calculation Period (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) has a different interval as compared to the preceding Calculation Period(s) in respect of such Fixed Rate Payer and:

(1) if there are only two Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction, the interval of the preceding Calculation Period is the same as the frequency of payment of Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members; or

(2) if there are more than two Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction, the interval of each preceding Calculation Period is the same as the frequency of payment of Fixed Amounts payable by such Fixed Rate Payer during the term of that particular Original Transaction as designated by the Clearing Members;

(iii)(iv) 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):

(a) if there is only one Floating Amount payable by such Floating Rate Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:

~~(a)~~(A) the frequency of payment of such Floating Amount is the same as the interval of the Calculation Period of such Floating Amount as designated by the Clearing Members; and

(B) the Clearing Members specify in the relevant Approved Trade Registration System that stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer when submitting such Original Transaction for registration; or

(b) if there are two or more Floating Amounts payable by such Floating Rate Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:

(A) \_\_\_\_\_

(1) (I) stub is applicable only to the initial Calculation Period in respect of such Floating Rate Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the initial Calculation Period in respect of such Floating Rate Payer when submitting such Original Transaction for registration; or

(2) (I) stub is applicable only to the final Calculation Period in respect of such Floating Rate Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the final Calculation Period in respect of such Floating Rate Payer when submitting such Original Transaction for registration; or

(B)

(1) 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;

(2) the frequency of payment of each Floating Amount is the same as the interval of the Calculation Period of each Floating Amount as designated by the Clearing Members; and

(3) the Clearing Members specify in the relevant Approved Trade Registration System that stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer when submitting such Original Transaction for registration;

~~(iv)~~(v) 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 and the Fixed Rate Payer for that particular Original Transaction whose terms include one or more Fixed Amount(s);

(a) if there is only one Fixed Amount payable by the Fixed Rate Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:

~~(a)~~(A) the frequency of payment of such Fixed Amount is the same as the interval of the Calculation Period of such Fixed Amount as designated by the Clearing Members; and

(B) the Clearing Members specify in the relevant Approved Trade Registration System that stub is inapplicable to any Calculation Period in respect of such Fixed Rate Payer when submitting such Original Transaction for registration;  
or

(b) if there are two or more Fixed Amounts payable by the Fixed Rate Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:

(A) \_\_\_\_\_

(1) (I) stub is applicable only to the initial Calculation Period in respect of such Fixed Rate Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the initial Calculation Period in respect of such Fixed Rate Payer when submitting such Original Transaction for registration; or

(2) (I) stub is applicable only to the final Calculation Period in respect of such Fixed Rate Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the final Calculation Period in respect of such Fixed Rate Payer when submitting such Original Transaction for registration; or

(B) \_\_\_\_\_

(1) 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;

(2) the frequency of payment of each Fixed Amount is the same as the interval of the Calculation Period of each Fixed Amount as designated by the Clearing Members; and

(3) the Clearing Members specify in the relevant Approved Trade Registration System that stub is inapplicable to any Calculation Period in respect of such Fixed Rate Payer when submitting such Original Transaction for registration; and

(vi) Floating Rate Payer and Fixed Rate Payer

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, OTC Clear will accept such Original Transaction for registration provided that:

(a) if a Fixed Rate Payer is applicable to such Original Transaction:

(A) stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer of that particular Original Transaction and;

- (1) stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer of that particular Original Transaction; or
    - (2) stub is applicable to the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Fixed Rate Payer of that particular Original Transaction;
  - (B) stub is applicable to the initial Calculation Period in respect of the Floating Rate Payer of that particular Original Transaction and:
    - (1) stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer of that particular Original Transaction; or
    - (2) stub is applicable to the initial Calculation Period in respect of the Fixed Rate Payer of that particular Original Transaction; or
  - (C) stub is applicable to the final Calculation Period in respect of the Floating Rate Payer of that particular Original Transaction and:
    - (1) stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer of that particular Original Transaction; or
    - (2) stub is applicable to the final Calculation Period in respect of the Fixed Rate Payer of that particular Original Transaction; or
- (b) if a Fixed Rate Payer is inapplicable to such Original Transaction:
- (A) stub is inapplicable to any Calculation Period in respect of one of the Floating Rate Payers of that particular Original Transaction and:
    - (1) stub is inapplicable to any Calculation Period in respect of another Floating Rate Payer of that particular Original Transaction; or
    - (2) stub is applicable to the initial Calculation Period or the final Calculation Period (as the case may be) in respect of another Floating Rate Payer of that particular Original Transaction;
  - (B) stub is applicable to the initial Calculation Period in respect of one of the Floating Rate Payers of that particular Original Transaction and:
    - (1) stub is inapplicable to any Calculation Period in respect of another Floating Rate Payer of that particular Original Transaction; or
    - (2) stub is applicable to the initial Calculation Period in respect of another Floating Rate Payer of that particular Original Transaction;  
or
  - (C) stub is applicable to the final Calculation Period in respect of one of the Floating Rate Payers of that particular Original Transaction and:
    - (1) stub is inapplicable to any Calculation Period in respect of another Floating Rate Payer of that particular Original Transaction; or
    - (2) stub is applicable to the final Calculation Period in respect of another Floating Rate Payer of that particular Original Transaction.

### 3.4.2.9 Interpolation

- (i) 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 which is denominated in MYR, THB or TWD for registration regardless of whether interpolation is applicable or not.

In the case that interpolation is applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR, THB or TWD, OTC Clear will accept that particular Original Transaction for registration provided that:

- (a) linear interpolation is elected for the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable; and
- (b) in respect of the Designated Maturities elected for interpolation:
- (A) both Designated Maturities are available for the relevant Floating Rate Option as shown in Appendix V to these Clearing Procedures; and
- (B) prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period to which stub applies, one of the Designated Maturities is shorter than the interval of the Calculation Period to which stub applies and another Designated Maturity is longer than the interval of the Calculation Period to which stub applies; or
- (ii) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR or KRW, OTC Clear will accept that particular Original Transaction for registration only if interpolation is inapplicable.

### 3.4.2.10 Period End Date

- (i) 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 which is denominated in CNY, KRW, MYR, THB or TWD for registration only if ~~either~~:
- (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) of that particular Original Transaction:~~
- (A) ~~the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and all the Period End Dates for determination of each Calculation Period (other than the final Calculation Period) relating to such Floating Rate Payer that particular Original Transaction are subject to adjustment; or~~
- (B) ~~the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Floating Rate Payer are subject to no adjustment; and~~
- (b) ~~with respect to the Fixed Rate Payer of that particular Original Transaction (if applicable):~~

- (A) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer are subject to adjustment; or
- (B) none of the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the ~~or any Period End Dates~~ for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer that particular Original Transaction is/are subject to no adjustment;
- (ii) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, OTC Clear will accept such Original Transaction for registration only if:
- (a) with respect to the Floating Rate Payer of that particular Original Transaction, the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and ~~all the Period End Dates~~ for determination of each Calculation Period (other than the final Calculation Period) relating to such Floating Rate Payer of that particular Original Transaction are subject to adjustment; and
- (b) with respect to the Fixed Rate Payer of that particular Original Transaction:
- (A) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer are subject to adjustment; or
- (B) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer are subject to no adjustment; and
- (iii) 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 regardless of the currency in which such Original Non Deliverable Rates Derivatives Transaction is denominated, OTC Clear will accept such Original Transaction for registration provided that:
- (a) both the Effective Date and Termination Date of that particular Original Transaction fall on the last calendar day of a relevant calendar month and stub is inapplicable to any Calculation Period in respect of:
- (A) the Floating Rate Payer and/or the Fixed Rate Payer of that particular Original Transaction; or
- (B) one of or both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction;

- (b) the Termination Date of that particular Original Transaction falls on the last calendar day of a relevant calendar month and stub is applicable to the initial Calculation Period in respect of:
  - (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or
  - (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction; or
- (c) the Effective Date of that particular Original Transaction falls on the last calendar day of a relevant calendar month and stub is applicable to the final Calculation Period in respect of:
  - (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or
  - (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction.

#### **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 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)

- (1) 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 if stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer; or

- (2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of such Floating Rate Payer to which stub is applicable;
- (B)
- (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to the Floating Amount payable by each Calculation Period in respect of such Floating Rate Payer if stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer; or
- (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the initial Calculation Period or the final Calculation Period (as the case may be) to which stub is applicable) in respect of 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)
- (1) 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 if stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer; or
- (2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Fixed Rate Payer to which stub is applicable;
- (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) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY or INR, 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)

(1) 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 if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or

(2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;

(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;

- (b1) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in ~~KRW, MYR or TWD~~, 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)

(1) 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 if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or

(2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;

(B) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to the Floating Amount payable by the Floating Rate Payer; and

(C) three months only;

(b2) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, 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) \_\_\_\_\_

(1) 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 if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or

(2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;

(B) \_\_\_\_\_

(1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Rate Payer if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or

(2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the initial Calculation Period or the final Calculation Period (as the case may be) to which stub is applicable) in respect of the Floating Rate Payer; and

(C) three months only;

(c) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in THB, 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)

(1) 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 if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or

(2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;

- (B)
- (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Amount payable by the Floating Rate Payer if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
  - (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the initial Calculation Period or the final Calculation Period (as the case may be) to which stub is applicable) in respect of the Floating Rate Payer; and
- (C) six months only;
- (d) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR, KRW, MYR or TWD, 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)
- (1) 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 if stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer; or
  - (2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Fixed Rate Payer to which stub is applicable;
- (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
- (e) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in THB, 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)
- (1) 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 if stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer; or
  - (2) 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Fixed Rate Payer to which stub is applicable;  
and

- (B) one month, three months, six months or one year;
- (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 which is denominated in CNY, any Reset Date is the first day of each Compounding Period;
- (ii) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, any Reset Date is the last day of each relevant Calculation Period;
- (iii) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, MYR, THB or TWD, any Reset Date is the first day of each relevant Calculation Period; ~~and~~
- (iv) 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;
- (v) with regard to the initial Calculation Period in respect of the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then in respect of each Floating Rate Payer) of an Original Standard Rates Derivatives Transaction which is denominated in CNY (offshore) or USD, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in Article 7 of the ISDA Definitions except that a different Fixing Days Offset can be elected by the Clearing Members for the respective Floating Rate Option, provided that such Fixing Days Offset is:
  - (a) zero; or
  - (b) any number of day(s) preceding the Reset Date, provided that each of such day is a Business Day in respect of:
    - (A) a financial center as shown in the table below in the column entitled "Mandatory Financial Center" and marked against the relevant Floating Rate Option; and

<b>Floating Rate Option</b>	<b>Mandatory Financial Center</b>
CNH-HIBOR-TMA	Hong Kong
CNY-SHIBOR-Reuters	Beijing
MYR-KLIBOR-BNM	Kuala Lumpur
TWD-TAIBOR-Reuters	Taipei
USD-LIBOR-BBA	London

- (B) any additional financial center(s) (as set out in Appendix II to these Clearing Procedures) being elected by the Clearing Members with no limitation in number;
- (vi) with regard to the initial Compounding Period in respect of the Floating Rate Payer of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, the determination of the rate for the Reset Date for such Compounding Period is consistent with that prescribed for in Article 7 of the ISDA Definitions except that a different Fixing Days Offset can be elected by the Clearing Members for the respective Floating Rate Option, provided that such Fixing Days Offset is:
- (a) zero; or
- (b) any number of day(s) preceding the Reset Date, provided that each of such day is a Business Day in respect of:
- (A) Beijing; and
- (B) any additional financial center(s) (as set out in Appendix II to these Clearing Procedures) being elected by the Clearing Members with no limitation in number;
- (vii) with regard to any Calculation Period (save and except the initial Calculation Period) in respect of the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then in respect of each Floating Rate Payer) of an Original Standard Rates Derivatives Transaction which is denominated in CNY (offshore) or USD, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in Article 7 of the ISDA Definitions;
- (viii) with regard to any Compounding Period (save and except the initial Compounding Period) in respect of the Floating Rate Payer of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, the determination of the rate for the Reset Date for such Compounding Period is consistent with that prescribed for in Article 7 of the ISDA Definitions; and
- (ix) with regard to any Calculation Period in respect of the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then in respect of each Floating Rate Payer) of an Original Standard Rates Derivatives Transaction which is denominated in EUR or HK\$ and an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, KRW or THB, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in Article 7 of the ISDA Definitions.

**“Fixing Days Offset”** (as set out in this section 3.4.2.15, section 3.4.2.30 and section 3.8.1.1.3) means in respect of a Floating Rate Option, the number of days by which the Reset Date precedes or follows the day on which the relevant rate relating to a Designated Maturity for a Reset Date appears on the specific rate source (including the fallback rate source) at the designated time which are stipulated in Article 7 of the ISDA Definitions. For the avoidance of doubt, if the relevant rate relating to a Designated Maturity for a Reset Date is the rate which appears on the specific rate source (including the fallback rate source) at the designated time on the Reset Date, the Fixing Days Offset will be zero.

- (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; 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 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 Transaction for registration only if Compounding is elected to be inapplicable to such Original Transaction.

In respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, 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.

In respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, KRW, MYR, THB or TWD, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if Compounding is elected to be inapplicable to such Original Non Deliverable Rates Derivatives Transaction.

#### 3.4.2.19 Designated Maturity

~~(i) OTC Clear will accept~~ In respect of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR, THB or TWD and the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that Original Transaction, then in respect of each Floating Rate Payer) of that particular Original Transaction, OTC Clear will accept such Original Transaction for registration only if:

- (a) provided that stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer, the Designated Maturity elected for the relevant Floating Rate Option in respect of the Floating Amounts payable by the such 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)(A) consistent with the period stipulated in section 3.4.2.1; and
- (i)(B) the same for all relevant Calculation Periods of the Floating Amounts payable by such Floating Rate Payer; or
- (b) provided that stub is applicable to the initial Calculation Period or the final Calculation Period (as the case may be) in respect of such Floating Rate Payer and:
  - (A) interpolation is applicable to the Calculation Period to which stub applies:
    - (1) the Designated Maturity elected for the relevant Floating Rate Option for each Calculation Period (other than the Calculation Period to which interpolation applies) in respect of such 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; and
    - (2) the Designated Maturities elected for the relevant Floating Rate Option for the Calculation Period to which interpolation applies are consistent with the requirements stipulated in section 3.4.2.9; or
  - (B) interpolation is inapplicable to the Calculation Period to which stub applies:
    - (1) the Designated Maturity elected for the relevant Floating Rate Option for each Calculation Period (other than the Calculation Period to which stub applies) in respect of such 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; and
    - (2) the Designated Maturity elected for the relevant Floating Rate Option for the Calculation Period to which stub applies is consistent with the period stipulated in Appendix V; or
- (ii) OTC Clear will accept an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR or KRW 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 of that particular Original Transaction is:
  - (a) consistent with the period stipulated in section 3.4.2.1; and
  - (b) the same for all relevant Calculation Periods of the Floating Amounts payable by the 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.

- (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 if such Original Transaction is submitted to OTC Clear for registration between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day; or precedes any forthcoming Initial Exchange Date of that particular Original Transaction by a minimum of one day, where such day is (1) a Currency Day for each Contractual Currency of that particular Original Transaction and (2) an OTC Clear Clearing Day if such Original Transaction is submitted to OTC Clear for registration at any other time; 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.

#### **3.4.2.30 Floating Rate**

OTC Clear will accept:

- (i) an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction for registration if:
  - (a) in respect of the initial Calculation Period of such Original Transaction:
    - (A) no Floating Rate has been designated by the Clearing Members for such Calculation Period; or
    - (B) the Floating Rate has been designated by the Clearing Members for such Calculation Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points; and
  - (b) in respect of any Calculation Period other than the initial Calculation Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Calculation Period;
- (ii) an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, MYR, THB or TWD for registration if:
  - (a) in respect of the initial Calculation Period of such Original Transaction:
    - (A) no Floating Rate has been designated by the Clearing Members for such Calculation Period; or
    - (B) the Floating Rate has been designated by the Clearing Members for such Calculation Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points; and
  - (b) in respect of any Calculation Period other than the initial Calculation Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Calculation Period;
- (iii) an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY for registration if:
  - (a) in respect of the initial Compounding Period of such Original Transaction:
    - (A) no Floating Rate has been designated by the Clearing Members for such Compounding Period; or
    - (B) the Floating Rate has been designated by the Clearing Members for such Compounding Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points; and
  - (b) in respect of any Compounding Period other than the initial Compounding Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Compounding Period; and
- (iv) an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR for registration only if no Floating Rate has been designated by the Clearing Members for any Calculation Period of such Original Transaction.

For the avoidance of doubt, if the Clearing Members designate the Floating Rate for the initial Calculation Period or initial Compounding Period (as the case may be) of an Original Transaction and elect the Fixing Days Offset which is inconsistent with that prescribed for in Article 7 of the ISDA Definitions for the respective Floating Rate Option in the determination of the rate for the Reset Date for the initial Calculation Period or initial Compounding Period (as the case may be) of such Original Transaction, such Original Transaction will not be accepted by OTC Clear for registration.

### 3.4.3 Specific Requirements for an Original FX Derivatives Transaction

#### 3.4.3.1 OTC Clear will only accept the types of Original FX Derivatives Transaction as set out in the table below:

Reference Currency	Settlement Currency	Maximum Residual Term	Valuation Days Offset
CNY	USD	2 years (740 days)	2 Beijing Business Days
INR		2 years (740 days)	2 Mumbai Business Days
KRW		2 years (740 days)	2 Seoul Business Days
TWD		2 years (740 days)	2 Taipei Business Days

#### 3.4.3.2 Residual Term

The residual term of an Original FX 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 that particular Original FX Derivatives Transaction to (and including) the Settlement Date of that particular Original FX Derivatives Transaction.

OTC Clear will accept an Original FX Derivatives Transaction for registration only if the residual term of that particular Original FX Derivatives Transaction is:

- (i) greater than or equal to four days where each of these four days is (a) a Currency Day relating to the Contractual Currency of that particular Original Transaction and (b) an OTC Clear Clearing Day; and
- (ii) less than or equal to the relevant maximum residual term as set out in section 3.4.3.1.

#### 3.4.3.3 Reference Currency Notional Amount

OTC Clear will accept an Original FX Derivatives Transaction for registration only if the Reference Currency Notional Amount of that particular Original FX Derivatives Transaction is:

- (i) greater than or equal to one unit of the Reference Currency; and
- (ii) an integer of the Reference Currency if the relevant Reference Currency is KRW; or an integer or a number rounded up to two or less decimal places of the Reference Currency if the relevant Reference Currency is CNY, INR or TWD.

### **3.4A Suspension of Product**

OTC Clear may from time to time, in its sole discretion and with prior consultation with the SFC, suspend clearing of a product or class of products (a “Product Suspension Event”). In the event of the occurrence of a Product Suspension Event of a product, no Original Transactions in such product will be accepted for registration and instead they will be rejected. OTC Clear may also, with prior consultation with the SFC, require Clearing Members to unwind any Contracts in a product which is subject to a Product Suspension Event which were registered before the effective date of Product Suspension Event. If Clearing Members fail to do so, OTC Clear, at its sole discretion, will be entitled to terminate any such Contracts, and all prevailing obligations of OTC Clear and the relevant Clearing Member in respect of such Contracts shall cease and be replaced with the obligation of OTC Clear or the relevant Clearing Member, as the case may be, to pay the close-out value determined in accordance with section 10.1(iv) of these Clearing Procedures. OTC Clear may, with prior consultation with the SFC, lift the suspension at any time.

Prior written notice of a Product Suspension Event or a resumption of clearing of a product previously subject to a Product Suspension Event shall be given to Clearing Members and the SFC. OTC Clear shall give notice to Clearing Members by means of a Clearing Notice.

### **3.5 Error Contract**

Pursuant to Clearing Rule 814, in the event OTC Clear terminates an Error Contract, the relevant Clearing Members who were parties to the Error Contract being terminated will be notified through the “OTC Clear Trade Report (Report Number TDRP01 or TDRP02)” in respect of an Error Contract which has been registered in a House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP01\_C or TDRP02\_C)” in respect of an Error Contract which has been registered in a Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP01 or TDRP02)” and “OTC Clear Trade Report for Client (Report Number TDRP01\_C or TDRP02\_C)” are available to the Clearing Members on the Web Portal. The status of any terminated Error Contract will be indicated in the “OTC Clear Trade Report (Report Number TDRP01 or TDRP02)” or “OTC Clear Trade Report for Client (Report Number TDRP01\_C or TDRP02\_C)” as a rejected transaction. The status will be flagged as “DECLARED”, “TERMINATED” or “TRANSFERRED”.

If OTC Clear determines that the value of the Error Contract has changed in between the time when the Variation Margin was last calculated and when such Error Contract was terminated, then OTC Clear will communicate to the relevant Clearing Members an amount representing such difference. The Clearing Members in whose names the Error Contracts were registered will then settle such difference between themselves without further involvement of OTC Clear.

OTC Clear will liaise with both the relevant Approved Trade Registration System and the relevant Clearing Members to facilitate the latest trade status of the Error Contract being updated in such Approved Trade Registration System.

### **3.6 De-registration**

Subsequent to the registration of an Original Transaction as two Contracts with OTC Clear, any proposed amendments to the terms of such Contracts, or termination or novation of such Contracts other than any transfer of Contracts relating to Clients in accordance with Clearing Rule 825, may only be effected by first de-registering the Contracts through submission of a de-registration request to OTC Clear.

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.

#### 3.8.1.1.1 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;
- (ii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in CNY, 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;
- (iii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in INR, KRW, MYR, THB or TWD, 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 Non Deliverable Rates Derivatives Contract; and
- (iv) 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 2518 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

- (i) In respect of a Standard Rates Derivatives Contract which is denominated in CNY (offshore) or USD, Standard Cross-currency Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract which is denominated in MYR or TWD, The 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 except that if a different Fixing Days Offset is elected by the Clearing Members for the initial Calculation Period in respect of a Floating Rate Payer than that prescribed in Article 7 of the ISDA Definitions it shall be amended to make reference to the Fixing Days Offset elected by the Clearing Members;

- (ii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in CNY, 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 except that if a different Fixing Days Offset is elected by the Clearing Members for the initial Compounding Period in respect of a Floating Rate Payer than that prescribed in Article 7 of the ISDA Definitions it shall be amended to make reference to the Fixing Days Offset elected by the Clearing Members; or
- (iii) in respect of a Standard Rates Derivatives Contract which is denominated in EUR or HK\$ and a Non Deliverable Rates Derivatives Contract which is denominated in INR, KRW or THB, 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.

For the avoidance of doubt, (a) if linear interpolation is elected to be applicable to a Calculation Period, the relevant rate for the Reset Date in respect of that Calculation Period will be calculated by OTC Clear in accordance with Section 8.3 of the ISDA Definitions; and (b) if the Floating Rate has been designated by the Clearing Members for the initial Calculation Period or initial Compounding Period, as the case may be, in respect of a Floating Rate Payer of a Contract, such Floating Rate is deemed to be the rate for the Reset Date for the initial Calculation Period or initial Compounding Period, as the case may be, in respect of the relevant Floating Rate Payer of such Contract.

#### **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 for information on holiday observances affecting world financial markets. OTC Clear will provide Clearing Members with regular updates of holidays affecting Currency Days and Business Days through the “OTC Clear Market Data Report (Report Number MKDR03)”. Any ad-hoc update of such holidays will be notified to the Clearing Members.

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

If a holiday declaration affects a scheduled Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, an adjustment to 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 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 a holiday declaration affects a scheduled 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, an 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

is received by OTC Clear at its account at such relevant Custodian. OTC Clear publishes the Custodian and its standard delivery instruction for each type of eligible non-cash Collateral on the ~~HKEX~~ HKEX website and updates it from time to time.

Delivery of non-cash Collateral to OTC Clear must be executed free of payment.

Clearing Members are each required to open 2 accounts with their respective custodian(s) for the relevant type of eligible non-cash Collateral – one account for settlement of non-cash Collateral relating to House Business and the other account for settlement of non-cash Collateral relating to Contracts recorded in the Client Position Account of a Clearing Member (“**Client Business**”). Clearing Members must specify only one standard delivery instruction for House Business and only one standard delivery instruction for Client Business.

The relevant Custodian matches the details submitted by each Clearing Member via the Web Portal before accepting delivery of the relevant non-cash Collateral to OTC Clear’s account with it. In the event of a discrepancy, delivery will fail. Each Clearing Member must also indicate in the relevant payment message that the settlement mode is real time.

In respect of each request for withdrawal of non-cash Collateral which has been accepted by OTC Clear, OTC Clear will instruct the relevant Custodian to deliver the relevant non-cash Collateral to each Clearing Member in accordance with the standard delivery instructions provided by such Clearing Member.

If a Clearing Member wishes to change its standard delivery instruction in respect of settlement in relation to its House Collateral Account and/or its Client Collateral Accounts (if applicable), 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.

OTC Clear will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members relating to the deposit, withdrawal or porting of non-cash Collateral where such failure, hindrance or delay arises from causes beyond the control of OTC Clear, such as, but not limited to, the failure (whether partial or total), interruption or suspension of any depository, Custodian or other depository service that OTC Clear uses, the termination or suspension of OTC Clear’s membership or use of a Custodian or any variation of a Custodian’s operational timetable, whether or not occasioned by the action of the Custodian or other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or any other emergency.

### 3.10.1 Types of Securities Acceptable as Non-cash Collateral

Clearing Members are requested to note that OTC Clear accepts the following securities as non-cash Collateral delivered to it at the relevant account at Central Moneymarkets Unit (“**CMU**”) of the Hong Kong Monetary Authority specified for the relevant type of securities:

Type of securities acceptable as non-cash Collateral	Custodian	Minimum delivery amount
US Treasury Bills	CMU	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes		USD100 and integral multiples of USD100 in excess thereof
Hong Kong Exchange Fund	CMU	HKD500,000 and integral multiples of HKD500,000 in

Type of securities acceptable as non-cash Collateral	Custodian	Minimum delivery amount
Bills		excess thereof
Hong Kong Exchange Fund Notes		HKD50,000 and integral multiples of HKD50,000 in excess thereof
Bonds issued by the Ministry of Finance of the People's Republic of China denominated in CNY(offshore)	CMU	CNY (offshore)500,000 and integral multiples of CNY (offshore)500,000 in excess thereof

Collateral Haircuts for the relevant asset type are published on the ~~HKE~~HKEX website and will be updated from time to time:

<http://www.hkex.com.hk/eng/prod/clr/otclrsett/chaicut.htm>

### 3.10.2 Procedures for Voluntary Withdrawal of Non-Cash Collateral representing Excess Margin

The following procedures apply to voluntary withdrawal of non-cash Collateral by a Clearing Member representing Excess Margin:

- (i) prior to requesting withdrawal of any non-cash Collateral then deposited with OTC Clear, the Clearing Member should ensure that there is a positive balance of the relevant security represented by the relevant international securities identification number assigned by the International Securities Identification Numbers Organization (“**ISIN code**”) standing to the credit of its House Collateral Account or relevant Client Collateral Account, as the case may be, and that such Collateral represents Excess Margin;
- (ii) the Clearing Member shall input a request for withdrawal of the relevant security via the collateral management window of the Web Portal before 11:00 hours Hong Kong time on an OTC Clear Clearing Day. Each withdrawal request must specify: (a) the ISIN code of each relevant non-cash Collateral that it is seeking to withdraw, (b) the notional amount of each such Collateral that it is seeking to withdraw and (c) the value date for settlement;
- (iii) in addition, each withdrawal request must comply with the following parameters:

Type of non-cash Collateral to be withdrawn	Value Date for Settlement to be specified in each withdrawal request	Minimum withdrawal amount
US Treasury Bills	one New York Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes	Where, “ <b>New York Business Day</b> ” means a day (other than Saturday and Sunday) on which commercial banks in New York City are open for general business.	USD100 and integral multiples of USD100 in excess thereof

#### 4.4.2 Routine Intra-day VM Call

Each Clearing Member has its intra-day Variation Margin limit (“**Intra-day VM Limit**”) which is the threshold level at which a Routine Intra-day VM Call will be triggered in respect of such Clearing Member’s Contracts recorded to its House Position Account only (for the avoidance of doubt, no Routine Intra-day VM Call shall be made in respect of any Client Position Account(s)). OTC Clear will set an Intra-day VM Limit for each Clearing Member based on, including without limitation, the following factors:

- (i) OTC Clear’s determination of the relative change in Margin requirements in respect of such Clearing Member’s House Position Account;
- (ii) prevailing market conditions;
- (iii) OTC Clear’s evaluation of the financial condition of such Clearing Member and its Affiliates; and
- (iv) OTC Clear’s evaluation of the operational capability of such Clearing Member and its Affiliates.

Each Clearing Member will be notified of the Intra-day VM Limit applicable to it, and such Intra-day VM Limit will be reviewed by OTC Clear on a regular basis.

Between the hours of 08:30 hours Hong Kong time and 14:00 hours Hong Kong time on each OTC Clear Business Day, OTC Clear may, at regular intervals, calculate the aggregate Initial Margin and Additional Margin requirements in respect of each Clearing Member’s House Position Account, taking into consideration any Variation Margin requirements reflecting intra-day market movements. In the event that the aggregate Initial Margin and Additional Margin requirement in respect of such House Position Account, taking into account any Variation Margin requirements reflecting intra-day market movements, exceeds the aggregate value of the Margin Balance relating to such Clearing Member’s House Position Account by an amount equal to or greater than the Intra-day VM Limit in respect of such Clearing Member, OTC Clear will make a routine intra-day Variation Margin call (a “**Routine Intra-day VM Call**”) with respect to such Clearing Member on such OTC Clear Business Day. The time of the Routine Intra-day VM Call will be the same on any OTC Clear Business Day and will be published on the ~~HKE~~HKEX website (the “**Routine VM Call Time**”). References to “intra-day market movements” as used in this section 4.4.2 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 Day.

If, prior to OTC Clear making a Routine Intra-day VM Call on an OTC Clear Business Day, the relevant Clearing Member has delivered additional Collateral such that the breach of the Intra-day VM Limit described in the immediately foregoing paragraph has been cured, no Routine Intra-day VM Call will be made on such OTC Clear Business Day.

#### 4.4.3 Ad Hoc Intra-day VM Call

In addition to the Routine Intra-day VM Call described in section 4.4.2, OTC Clear may make an ad hoc intra-day Variation Margin call (an “**Ad Hoc Intra-day VM Call**”) at any time on an OTC Clear Clearing Day if OTC Clear determines that the market conditions at the relevant time requires an Ad Hoc Intra-day VM Call. OTC Clear will, to the extent reasonably practicable, consult with the Risk Management Committee prior to determining whether the market conditions at the relevant time warrant this. If OTC Clear is unable to consult with the Risk Management Committee sufficiently promptly in the circumstances, OTC Clear will consult with the chief executive of OTC Clear. In the event that the chief executive of OTC Clear is unavailable at the time for any reason, OTC Clear will

(i.e. the immediately preceding Friday), and Clearing Members shall satisfy in full the Holiday Margin by 09:30 hours Hong Kong time on the same day.

#### 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); or
- (vii) if a particular Standard Cross-currency Rates Derivatives Transaction of a Clearing Member is registered by OTC Clear one day before any forthcoming Initial Exchange Date of that particular Original Transaction, where such day is (1) a Currency Day for each Contractual Currency of that particular Original Transaction and (2) an OTC Clear Clearing Day.

In all other situations not specifically provided for under section 4.5.1, 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:

## Chapter 7

### Collateral

#### 7.1 Acceptable Collateral

OTC Clear may, at its sole discretion, determine from time to time the types of assets which are acceptable as Collateral for purposes of Margin requirements and Rates and FX Contribution, and determine when any asset will cease to be acceptable as Collateral for such purposes. OTC Clear publishes the list of eligible Collateral on the ~~HKE~~ HKEX website and updates it from time to time. OTC Clear reserves the right to change the list of eligible Collateral at its sole and absolute discretion. Assets previously posted to OTC Clear as Collateral but which no longer qualify as eligible Collateral will not be taken into account for the purposes of determining a Clearing Member's Margin Balance and CM Funded Contribution Amount and must be substituted with other eligible Collateral in order to meet a Clearing Member's Margin requirement and/or Rates and FX Liability. Assets previously posted to OTC Clear as Collateral but which no longer qualify as eligible Collateral will remain in each Clearing Member's relevant Collateral Account until they are withdrawn.

#### 7.2 Cash Collateral

Pursuant to Clearing Rules 1213 and 1502, Collateral in the form of cash delivered by a Clearing Member for the purpose of satisfying its Margin requirements or its Rates and FX Liability will be transferred outright to OTC Clear.

#### 7.3 Non-cash Collateral

OTC Clear currently accepts non-cash Collateral from Clearing Members only for the purposes of satisfying Margin requirements. OTC Clear currently does not accept non-cash Collateral for the purpose of satisfying a Clearing Member's Rates and FX Liability. Pursuant to Clearing Rule 1213, non-cash Collateral delivered by a Clearing Member to satisfy its Margin requirements will be transferred by way of security interest.

A Clearing Member who intends to post non-cash Collateral for the purposes of satisfying its Margin requirements must:

- (i) execute a valid Deed of Charge in OTC Clear's standard form<sup>\*</sup>; and
- (ii) complete all perfection requirements in all relevant jurisdictions to the satisfaction of OTC Clear.

OTC Clear only accepts non-cash Collateral delivered to it at its account at the relevant Custodian specified for the relevant type of eligible non-cash Collateral.

OTC Clear will not accept a Clearing Member's non-cash Collateral if the documents required by OTC Clear have not been duly executed and all necessary perfection requirements in all relevant jurisdictions have not been completed within the necessary timeframe. Non-cash Collateral credited to a Clearing Member's Collateral Account will not be allowed to be used except as provided for under the Clearing Rules or these Clearing Procedures, or transferred or withdrawn by the Clearing Member unless with the express permission of OTC Clear.

---

<sup>\*</sup> The standard form Deed of Charge is available from OTC Clear upon request.

## 7.4 Collateral Concentration Limit

Pursuant to Clearing Rule 1214, OTC Clear may impose a limit on the aggregate value of any particular type of Collateral (each, a “**Collateral Concentration Limit**”) delivered by a Clearing Member for purposes of satisfying its Margin requirements for, among others, the following reasons:

- (i) to avoid undue concentration of Collateral in a particular asset class, type of security, obligor, etc. For example, OTC Clear may impose an upper limit on the aggregate value attributable by a particular type of Collateral to be no more than a specific percentage of the Margin Balance; or
- (ii) to restrict the maximum amount of non-cash Collateral a Clearing Member may provide to OTC Clear for its Margin requirements in respect of each of its Position Accounts.

OTC Clear will, from time to time, notify Clearing Member of the relevant Collateral Concentration Limit.

For the avoidance of doubt, application of sub-paragraph (i) above may extend to any Collateral delivered by a Clearing Member to OTC Clear. OTC Clear may impose a Collateral Concentration Limit to restrict the maximum amount of Collateral in a particular Eligible Currency or Collateral type that may be delivered by a Clearing Member for the purpose of satisfying the Margin requirements with respect to each of its Position Accounts.

The situations described in this section 7.4 are not exhaustive, and OTC Clear shall have the right to, after consultation with the Risk Management Committee, impose any new, or cancel any existing, Collateral Concentration Limit and will notify Clearing Members of any such change. OTC Clear does not intend to, and shall not be under any obligation to, consult with the Risk Management Committee in respect of any calibration changes to the existing Collateral Concentration Limits.

## 7.5 Collateral Valuation

### 7.5.1 Collateral Haircuts

When determining whether each Clearing Member’s Margin Balance and Rates and FX Contribution are sufficient to cover its Margin requirement and its Rates and FX Liability, respectively, OTC Clear will value the assets in such Clearing Member’s Collateral Accounts and GF Account at their market value less any applicable valuation discount or haircut stipulated by OTC Clear (“**Collateral Haircut**”). OTC Clear publishes the relevant Collateral Haircut for each asset type on the [HKEx-HKEX](#) website and updates it from time to time.

The Collateral Haircut applicable to each type of asset will be determined by OTC Clear based on the calibration result and wrong-way risk back testing referred to in section 7.5.2, and subject to change from time to time pursuant to Clearing Rule 1214. For the avoidance of doubt, Collateral Haircut may apply on both cash and non-cash Collateral, but does not apply for the purpose of determining the value of any Collateral to be redelivered to Clearing Members pursuant to these Clearing Rules. In respect of any Collateral, OTC Clear will review the applicable Collateral Haircut on a monthly basis and will notify Clearing Members of any change of in Collateral Haircut.

### 7.5.2 Wrong-way Risk

#### 7.5.2.1 General Wrong-way risk

Wrong-way risk can be generally defined as the adverse effect that the inclusion of a particular transaction or asset might create on an existing portfolio. In this context, it refers to an aspect of risk that tends to increase the overall risk exposure of a portfolio or where collateral posted to mitigate the overall risk exposure of a portfolio does not decrease such risk on a dollar by dollar basis.

## **8.7 Portfolio Splitting and Re-composition**

In case of an unsuccessful Auction, in order to enhance the likelihood of success of a subsequent Auction, OTC Clear has the flexibility to, in consultation with the Default Management Group, combine Auction Portfolios of different Transaction Categories or further sub-divide a previously constructed Auction Portfolio into multiple Auction Portfolios. The prime considerations for portfolio splitting and re-composition include, but are not limited to, the size of the Auction Portfolio(s).

## **8.8 Cost of Default and Loss Attribution**

OTC Clear will assess its Rates and FX Loss incurred as a result of the occurrence of the DMP Event. Any Margin Balance of the Defaulting Clearing Member in excess of the full settlement of the default (but excluding any Client Entitlement which will be paid to the relevant Non-Porting Client of the Defaulting Clearing Member in accordance with Clearing Rule 1309) will be redelivered to the Defaulting Clearing Member as part of the net sum payable to the Defaulting Clearing Member pursuant to Clearing Rule 1307, or be returned in accordance with the relevant security document. Any Rates and FX Contribution Balance of the Defaulting Clearing Member in excess of the full settlement of the default will be redelivered to the Defaulting Clearing Member in accordance with Clearing Rule 1547.

In the event that the Rates and FX Loss exceeds the Defaulting Clearing Member's Rates and FX Contribution Balance, OTC Clear will satisfy the losses in accordance with Clearing Rule 1516.

## **8.9 Post Auction Communication**

Upon disposal of all Auction Portfolios following the occurrence of a DMP Event with respect to the Defaulting Clearing Member, OTC Clear will announce the completion of the Default Management Process by notifying the Clearing Members and will provide a summary of the steps taken during the Default Management Process, such summary will be published on the ~~HKE~~HKEX website, a copy of which will also be provided to the SFC.

## **8.10 Review**

Upon the completion of the Default Management Process in respect of each occurrence of DMP Event, OTC Clear will review the process and may put forward recommendations to change the process.

OTC Clear will also, at a minimum of once every year, conduct review of the process set out in this Chapter 8 to ensure it is adequate, practical and effective. In doing so, OTC Clear will involve Clearing Members by inviting them to participate in fire drills as referred to in Clearing Rule 1611. OTC Clear will provide the results of any fire drills of the Default Management Process to the Risk Management Committee. OTC Clear will also publish the results of the fire drills on the ~~HKE~~HKEX website.

## **8.11 Porting of Affected Contracts and Collateral to a Replacement Clearing Member**

OTC Clear will facilitate porting of Affected Contracts in a Client Position Account (and Collateral in its corresponding Client Collateral Account) of a Defaulting Clearing Member if all of the following conditions are satisfied:

## Chapter 9

### Special Events / Business Continuity

#### 9.1 Arrangement for Special Events

The procedures set out in this Chapter 9 provide an outline of steps that can be taken by OTC Clear in the event of a Force Majeure Event or other special events or OTC Clear being unable to access, or being evacuated from OTC Clear's premises.

The need for business recovery is driven by the uncertain nature of special events. Therefore, the steps set out herein are not intended to be exhaustive and OTC Clear reserves the right to modify or depart from the procedures set out in this Chapter 9 to meet the characteristics of the special events. The procedures set out in this Chapter 9 are without prejudice to the provisions of the Clearing Rules.

##### 9.1.1 Message Dissemination

When there is a need to communicate with Clearing Members in an emergency situation, including but not limited to, the evacuation of OTC Clear's premises and the invocation of business continuity plans, messages will be disseminated to Clearing Members by any of the following methods:

- (i) posting message on the ~~HKE~~HKEX website;
- (ii) electronic messages via SWIFT;
- (iii) electronic mails to Clearing Members' designated contact personnel; or
- (iv) facsimile transmissions to Clearing Members' designated fax machines.

Regardless of the message dissemination methods, the content of the message is expected to be substantially the same.

##### 9.1.2 Evacuation of OTC Clear's Premises

If it is necessary for OTC Clear to evacuate OTC Clear's premises, a message will be communicated to Clearing Members using the methods set out in section 9.1.1.

During this period, all activities normally carried out at OTC Clear's premises will cease. Clearing Members will be kept updated of the situation (using the methods set out in section 9.1.1) once further details are available.

##### 9.1.3 Invocation of Business Continuity Plans

Once OTC Clear has decided to invoke the business continuity plans, Clearing Members will be informed at the earliest possible time. A message will be communicated to Clearing Members using the methods set out in section 9.1.1.

OTC Clear expects that a maximum of two hours may elapse between the invocation of the business continuity plan and relocation of recovery teams. During that time, most of the usual activities carried out at OTC Clear's premises will cease. Any updates on the arrangements will be communicated to Clearing Members using the methods set out in section 9.1.1.

##### 9.1.4 Special Event Settlement Arrangement

A number of routine settlement procedures may be amended, deferred or suspended while business continuity plans apply. These changes may have an impact on, among others, the usual sequences or mechanisms surrounding the following:

## Chapter 10

### Determination of Close-out Value, Winding Down of the Rates and FX Clearing Service and OTC Clear Default

#### 10.1 Close-out Value

The close-out value for each Contract will be determined in the Base Currency, and shall be the difference between the aggregate net Variation Margin (but excluding Routine Intra-day Variation Margin) settled by the relevant Clearing Member up to and including the last End-of-Day Settlement Process immediately preceding the Final Settlement Cycle Determination Date in respect of such Contract and the Close-out Variation Margin relating to such Contract, where:

“**Close-out Variation Margin**” means, with respect to a Contract, the net present value relating to such Contract as determined by OTC Clear using calculation methodology similar to that used to determine Variation Margin in the End-of-Day Settlement Process, except that the relevant calculations will be determined on the basis of the curve(s) built and pricing input(s) and instrument quote(s) obtained as at 11:00 hours Hong Kong time on:

- (i) with respect to a Contract being terminated as a result of the occurrence of Rates and FX Clearing Termination Event, the Final Settlement Cycle Determination Date;
- (ii) with respect to a Contract which is the subject of Emergency Close-Out, the OTC Clear Business Day on which OTC Clear exercises such power; ~~and~~
- (iii) with respect to a Contract being terminated during the OTC Clear Failure to Pay Grace Period, or as a result of the occurrence of OTC Clear Failure to Pay Event or OTC Clear Insolvency Event, the OTC Clear Business Day on which such termination, OTC Clear Failure to Pay Event or OTC Clear Insolvency Event, as the case may be, occurs; and
- (iv) with respect to a Contract being terminated as a result of the occurrence of a Product Suspension Event, the Final Settlement Cycle Determination Date for such Product Suspension Event pursuant to section 10.4 of these Clearing Procedures.

The Close-out Variation Margin amount determined in any of the situations described in sub-paragraph (i), (ii), (iii) or (iv) above will not be adjusted by PAI.

#### 10.2 Rates and FX Clearing Termination Event

In the case of a winding down of the Rates and FX Clearing Service pursuant to Clearing Rules 1530 to 1540, OTC Clear will determine the Close-out Variation Margin for all Contracts on the Final Settlement Cycle Determination Date, where the “**Final Settlement Cycle Determination Date**” shall fall on:

- (i) if a Rates and FX Clearing Termination Event is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if a Rates and FX Clearing Termination Event is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Rates and FX Clearing Termination Event is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Contracts by 09:00 hours Hong Kong time on a Final Settlement Cycle Determination Date.

### 10.3 OTC Clear Default

Upon the designation of an Early Termination Date pursuant to Clearing Rule 1320(1), 1321(1) or 1323, OTC Clear will determine the Close-out Variation Margin for all Contracts on the Final Settlement Cycle Determination Date, where the Final Settlement Cycle Determination Date shall fall on:

- (i) if an Early Termination Date is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if Early Termination Date is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Early Termination Date is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Contracts by 09:00 hours Hong Kong time on a Final Settlement Cycle Determination Date.

### 10.4 Product Suspension Event

In the case of a Product Suspension Event pursuant to section 3.4A of these Clearing Procedures, OTC Clear will determine the Close-out Variation Margin for all Contracts in respect of which a Product Suspension Event has occurred on the Final Settlement Cycle Determination Date, where the Final Settlement Cycle Determination Date shall fall on:

- (i) if a Product Suspension Event is effective at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if a Product Suspension Event is effective after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Product Suspension Event is effective.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Contracts in respect of which a Product Suspension Event has occurred by 09:00 hours Hong Kong time on a Final Settlement Cycle Determination Date.

## Appendix I Fees Schedule

**(i) Annual Fee, Registration Fee and Maintenance Fee (for Clearing Members engaged in House Business)**

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

<b>Tariff</b>	<b>Annual Fee</b>	<b>Registration Fee</b>	<b>Maintenance Fee</b>
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) Standard Cross-currency Rates Derivatives Contract**

Tenor	Fee Rate	
	Registration Fee	Maintenance Fee
0 – 1 year	0.0015% of the notional amount of the USD leg of the Contract*.	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.  Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears.
>1 – 3 years	0.0035% of the notional amount of the USD leg of the Contract*.	
>3 – 5 years	0.0065% of the notional amount of the USD leg of the Contract*.	
>5 – 7 years	0.0085% of the notional amount of the USD leg of the Contract*.	
>7 – 10 years	0.0115% of the notional amount of the USD leg of the Contract*.	

**(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) Registration Fee and Maintenance Fee (for Clearing Members providing Client Clearing Services to their Clients)****(a) Standard Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract**

Type of Client Position Account	Registration Fee ( <del>paid in arrears at the end of each month</del> )	Maintenance Fee ( <del>paid in arrears at the end of each month</del> )
Contracts	0.001% of the notional amount of	0.00004% of the notional amount

<b>Type of Client Position Account</b>	<b>Registration Fee (<del>paid in arrears at the end of each month</del>)</b>	<b>Maintenance Fee (<del>paid in arrears at the end of each month</del>)</b>
registered to a Client Clearing Category 1 Position Account <del>and remaining outstanding at the end of each month</del>	each Contract per Position Account*. Registration Fees and Maintenance Fees will be billed in aggregate <u>(in HK\$)</u> monthly in arrears.	of each Contract per Position Account <u>on a monthly basis in respect of each Contract until its maturity</u> . Registration Fees and Maintenance Fees will be billed in aggregate <u>(in HK\$)</u> monthly in arrears.
Contracts registered to a Client Clearing Category 2 Position Account <del>and remaining outstanding at the end of each month</del>	0.001% of the notional amount of each Contract per Position Account*. Registration Fees and Maintenance Fees will be billed in aggregate <u>(in HK\$)</u> monthly in arrears.	0.00004% of the notional amount of each Contract per Position Account <u>on a monthly basis in respect of each Contract until its maturity</u> . Registration Fees and Maintenance Fees will be billed in aggregate <u>(in HK\$)</u> monthly in arrears.

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

<b>Tenor</b>	<b>Fee Rate</b>	
	<b>Registration Fee</b>	<b>Maintenance Fee</b>
0 – 1 year	0.0015% of the notional amount of the USD leg of the Contract*.	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.  Registration Fees and Maintenance Fees will be billed in aggregate <u>(in HK\$)</u> monthly in arrears.
>1 – 3 years	0.0035% of the notional amount of the USD leg of the Contract*.	
>3 – 5 years	0.0065% of the notional amount of the USD leg of the Contract*.	
>5 – 7 years	0.0085% of the notional amount of the USD leg of the Contract*.	
>7 – 10 years	0.0115% of the notional amount of the USD leg of the Contract*.	

**(c) FX Derivatives Contract**

<b>Type of Client Position Account</b>	<b>Registration Fee (<del>paid in arrears at the end of each month</del>)</b>
Contracts registered to a Client Clearing Category 1 Position Account <del>and remaining outstanding at</del>	0.0006% of the notional amount (in USD) of each Contract per Position Account*. Registration Fees will be billed in aggregate <u>(in HK\$)</u> monthly

<del>the end of each month</del>	in arrears.
Contracts registered to a Client Clearing Category 2 Position Account <del>and remaining outstanding at the end of each month</del>	0.0006% of the notional amount (in USD) of each Contract per Position Account*. Registration Fees will be billed in aggregate <u>(in HK\$)</u> monthly in arrears.

**(iii) 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.

**(iv) Fee for Resuming User Access or Resetting Password**

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

**(v) 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.

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

An accommodation charge will be charged monthly in arrears to each Clearing Member, calculated at the rate of 0.15% per annum of the average daily aggregate principal amount of non-cash Collateral outstanding across each Clearing Member's Collateral Accounts over the immediately preceding month.

**(vii) 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.

**(viii) Fee for porting of Contracts between Position Accounts held by the same Clearing Member)**

HK\$ 10,000 per request

**(ix) Fee for porting of some or all Contracts to a Transferee Clearing Member**

**(a) Partial porting of Contracts:** HK\$ 20,000 per request

**(b) Full porting of Contracts:** HK\$ 20,000 per request

For the avoidance of doubt, no fees will be charged for the porting of Contracts and Collateral held by a Defaulting Clearing Member to a Replacement Clearing Member upon the occurrence of a DMP Event.

**(x) Fee for each request for deposit, porting or withdrawal of non-cash Collateral**

**(a) Deposit:** Charge at cost

**(b) Porting:** Charge at cost

**(c) Withdrawal:** Charge at cost

For the avoidance of doubt, no fees will be charged for the porting of non-cash Collateral held by a Defaulting Clearing Member to a Replacement Clearing Member upon the occurrence of a DMP Event.

**Note:**

Backloading applies when (a) the Trade Date of a Contract registered in the name of a Clearing Member precedes the commencement of the Membership of that particular Clearing Member; or (b) the Trade Date of an Original Transaction submitted for registration as Contracts precedes the effective date of the amendment in the specific product eligibility requirements (as set out in section 3.4 of the Clearing Procedures) and such Original Transaction, but for such amendment, would have not been accepted for registration.

\* If the Trade Date of an Original Transaction precedes the date on which such Original Transaction is submitted to OTC Clear for registration and backloading does not apply, the relevant registration fee or such lesser amount as OTC Clear may from time to time agree with the Clearing Member will apply.

## Appendix V

### Floating Rate Options and Designated Maturities Accepted for a Calculation Period to which Stub or Interpolation is Applicable

<u>Floating Rate Option</u>	<u>Designated Maturity</u>
<u>CNH-HIBOR-TMA</u>	<u>One Month, Three Months, Six Months and One Year</u>
<u>CNY-SHIBOR-Reuters</u>	<u>One Month, Three Months, Six Months and One Year</u>
<u>EUR-EURIBOR-Reuters</u>	<u>One Week, One Month, Two Months, Three Months, Six Months and One Year</u>
<u>EUR-LIBOR-BBA</u>	<u>One Week, One Month, Two Months, Three Months, Six Months and One Year</u>
<u>HKD-HIBOR-HKAB</u>	<u>One Month, Two Months, Three Months, Six Months and One Year</u>
<u>USD-LIBOR-BBA</u>	<u>One Week, One Month, Two Months, Three Months, Six Months and One Year</u>
<u>MYR-KLIBOR-BNM</u>	<u>One Month, Two Months, Three Months, Six Months and One Year</u>
<u>THB-THBFIX-Reuters</u>	<u>One Month, Three Months, Six Months and One Year</u>
<u>TWD-TAIBOR-Reuters</u>	<u>One Month, Two Months, Three Months and Six Months</u>

## Glossary

<b>Defined Term</b>	<b>Page No</b>
Absolute Risk Limit	<u>7387</u>
Account Limits	<u>7387</u>
Accrual Factor	<u>6983</u>
Ad Hoc Intra-day VM Call	<u>7084</u>
Additional Payment	<u>2738</u>
Affected Amount	<u>6376</u>
Affected Clearing Member	<u>6376</u>
Application Form	<u>6</u>
Approved Trade Registration System	<u>14</u>
Base NPV	<u>8498</u>
Black Rainstorm Warning	<u>4558</u>
Client Account Limit	<u>7387</u>
Client Business	<u>4559</u>
Client Risk Management	<u>9</u>
Close-out Variation Margin	<u>411125</u>
CNY IRS	<u>94108</u>
CNY NDF	<u>94108</u>
Collateral Concentration Limit	<u>90104</u>
Collateral Haircut	<u>90104</u>
Daily GF Value	<u>8599</u>
Daily GF Value with Reserve	<u>8599</u>
DSMatch	<u>14</u>
End-of-Day Cut Off Time	<u>7589</u>
End-of-Day Margin Requirements	<u>7589</u>
End-of-Day Settlement Process	<u>7589</u>
Event of Default Determination	<u>6276</u>
Expected Uncollateralized Loss	<u>8599</u>
Fees Schedule	<u>4256</u>
Final Settlement Cycle Determination Date	<u>411125</u>
first Clearing Member or Client	<u>3548</u>
Fixing Days Offset	<u>37</u>
Frequency	<u>8495</u>
GF Calculation Period	<u>8397</u>
HK\$ IRS	<u>94108</u>
<del>HKTR-MC Service</del>	<u>14</u>
Holiday Margin	<u>7485</u>
House Account Limit	<u>7387</u>
Intra-day VM Limit	<u>7084</u>
Liquidity Risk Multiplier	<u>6882</u>
Margin Process	<u>5</u>
Margin Process Hours	<u>5</u>
MarkitWire	<u>14</u>
Max EUL	<u>8599</u>
MTM	<u>8093</u>
Non-Hong Kong Incorporated Person	<u>7</u>
Novation Transaction	<u>3142</u>
Notional Exchange Risk Multiplier	<u>6882</u>
OIS	<u>6983</u>
OTC	<u>10</u>
PAI	<u>6983</u>
PAI Rate	<u>6983</u>
payment-versus-payment	<u>5366</u>
Porting Completion Time	<u>5972</u>
Position Account EUL	<u>8599</u>
Position Account STV	<u>8498</u>
Product Suspension Event	<u>47</u>

Real Time Gross Settlement	<u>5266</u>
Real-Time Novation	<u>7488</u>
relative pro-rata percentage share	<u>8599</u>
Relevant Market Sources	<u>8094</u>
Report Usage Guide	<u>4255</u>
Routine Intra-day VM Call	<u>7084</u>
Routine VM Call Time	<u>7084</u>
Settlement Component	<u>3649</u>
Source	<u>8495</u>
Stress NPV	<u>8498</u>
Substitute Affected Amount	<u>6377</u>
Substitute Exchange Amount	<u>6276</u>
T <sub>0</sub>	<u>6983</u>
T <sub>-1</sub>	<u>6983</u>
Tenor	<u>8495</u>
T <sub>PAI</sub>	<u>6983</u>
Typhoon Signal Number 3	<u>107121</u>
Typhoon Signal Number 8	<u>4558</u>
Unpaid Exchange Amount	<u>6276</u>
Valuation Days Offset	<u>3446</u>
Web Portal User Manual	<u>5569</u>