

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 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:

- (i) the withdrawal / deposit of cash Collateral;
- (ii) the conversion of currencies;
- (iii) the ability to cover liabilities in currencies other than their Contractual Currencies;
- (iv) the time at which Margin may be demanded by OTC Clear;
- (v) the settlement of a Settlement Component; and
- (vi) the settlement of Rates and FX Contribution.

In case of any amendment, deferral or suspension to the above-mentioned items, a message will be communicated to Clearing Members using the methods set out in section 9.1.1.

9.1.5 Registration of Contracts

During the period when business continuity plans have been invoked, the procedures for registration of Contracts as set out in Chapter 3 of these Clearing Procedures will continue to apply. However, OTC Clear reserves the right to amend the timing of registration of Contracts. Clearing Members will be notified (using the methods set out in section 9.1.1) if the registration of Contracts has to be delayed.

9.1.6 New Office Address Notification

If OTC Clear is unable to reoccupy OTC Clear's premises within two hours, Clearing Members will be notified of the proposed new office location, the contact details of OTC Clear and the effective date prior to it occupying the new premises, using the methods set out in section 9.1.1.

9.1.7 Resumption of Normal Service

If OTC Clear is able to resume normal service in the original OTC Clear's premises or in the permanent new location as stated in section 9.1.6, message will be communicated to Clearing Members using the methods set out in section 9.1.1.

9.1.8 Periodic Testing of Business Continuity Plans

OTC Clear will periodically review and test its business continuity plans and associated arrangements against various scenarios that may simulate wide-scale disasters. Clearing Members and critical service providers to OTC Clear may be involved in such review and testing.

9.2 Primary Data Center

As the primary data center of OTC Clear is not located at OTC Clear's premises, evacuation of OTC Clear's premises will not affect Clearing Members' ability to access the Web Portal.

If the primary data center of OTC Clear fails, OTC Clear will switch to the secondary data center of OTC Clear as soon as reasonably practicable. The secondary data center is expected to be synchronized with the primary data center which means that data are

stored at both data centers. In the absence of any failure or disruption to the primary data center, the secondary data center serves as a back-up and will be on standby.

The switch from the primary data center of OTC Clear to the secondary data center of OTC Clear is expected to take up to two hours for the core mission critical system. During the switch from primary data center to the secondary data center of OTC Clear, the Rates and FX Clearing Services will be suspended.

9.3 Service Outage

If the Rates and FX Clearing Services are not available to or the Web Portal is not accessible to Clearing Members due to technical failure or other reasons, OTC Clear cannot guarantee Clearing Members a particular level of services in this situation. OTC Clear will activate the relevant business continuity plans and use its best endeavours to restore the normal service. Message will be disseminated to Clearing Members using the methods set out in section 9.1.1 of these Clearing Procedures.

9.4 Special Arrangement for Valuation of a Standard Rates Derivatives Contract which is Denominated in HK\$ under Adverse Weather Conditions

For the avoidance of doubt, when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory, for purposes of valuing a Standard Rates Derivatives Contract denominated in Hong Kong dollars, Section 7.7 of the ISDA Definitions shall apply.

9.5 Special Arrangement of Voluntary Deposit of Cash Collateral and Withdrawal of Excess Margin and Rates and FX Contribution Excess under Adverse Weather Conditions

This section 9.5 includes the arrangement surrounding depositing or withdrawing cash Collateral on a voluntary basis as adopted by OTC Clear when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory.

OTC Clear currently does not accept non-cash Collateral. If OTC Clear decides to accept non-cash assets as Collateral in future, it will notify Clearing Members of such development and will provide a list of non-cash assets acceptable as Collateral, as such list may be amended or updated from time to time. The procedures for handling non-cash Collateral (if any so designated) will be set out in section 7.3 of these Clearing Procedures.

9.5.1 Black Rainstorm Warning

9.5.1.1 Deposit of Cash Collateral

- (i) if a Black Rainstorm Warning is issued prior to 07:00 hours Hong Kong time on an OTC Clear Clearing Day and is cancelled at or before 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;
- (ii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Clearing Day and is cancelled after 07:00 hours Hong Kong time but at or before 11:00 hours Hong Kong time, subject to sub-paragraphs (iii) and (iv) below, any request which is submitted by a Clearing Member for deposit of cash

Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;

- (iii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Clearing Day and is cancelled at or before 11:00 hours Hong Kong time and re-issued at or before 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;
- (iv) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Clearing Day and is cancelled at or before 11:00 hours Hong Kong time and re-issued after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;
- (v) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Clearing Day and is cancelled after 11:00 hours Hong Kong time, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed; or
- (vi) if a Black Rainstorm Warning is issued at or after 09:00 hours Hong Kong time on an OTC Clear Clearing Day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed.

9.5.1.2 Withdrawal of Cash Collateral

- (i) if a Black Rainstorm Warning is issued prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (ii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled after 07:00 hours Hong Kong time but at or before 11:00 hours Hong Kong time, subject to sub-paragraphs (iii) and (iv) below, any request which is submitted by a Clearing Member for withdrawal of

cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;

- (iii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 11:00 hours Hong Kong time and re-issued at or before 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day;
- (iv) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 11:00 hours Hong Kong time and re-issued after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (v) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled after 11:00 hours Hong Kong time, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day; or
- (vi) if a Black Rainstorm Warning is issued at or after 09:00 hours Hong Kong time on an OTC Clear Business Day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed.

9.5.2 Typhoon Signal Number 8 or Above

9.5.2.1 Deposit of Cash Collateral

- (i) if a Typhoon Signal Number 8 or above is hoisted prior to 07:00 hours Hong Kong time on an OTC Clear Clearing Day and lowered to a Typhoon Signal Number 3 or below at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above is in effect at or after 07:00 hours Hong Kong time on an OTC Clear Clearing Day and lowered to a Typhoon Signal Number 3 or below at or before 11:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear

in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;

- (iii) if a Typhoon Signal Number 8 or above is in effect at or after 07:00 hours Hong Kong time on an OTC Clear Clearing Day; and
 - (a) lowered to a Typhoon Signal Number 3 or below at or before 11:00 hours Hong Kong time on that day and re-hoisted at or prior to 13:00 hours Hong Kong time on that day; or
 - (b) lowered to a Typhoon Signal Number 3 or below after 11:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed; or

- (iv) if a Typhoon Signal Number 8 or above is in effect at or after 07:00 hours Hong Kong time on an OTC Clear Clearing Day and lowered to a Typhoon Signal Number 3 or below at or before 11:00 hours Hong Kong time on that day and re-hoisted after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed.

9.5.2.2 Withdrawal of Cash Collateral

- (i) if a Typhoon Signal Number 8 or above is hoisted prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and lowered to a Typhoon Signal Number 3 or below at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above is in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and lowered to a Typhoon Signal Number 3 or below at or before 11:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (iii) if a Typhoon Signal Number 8 or above is in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and

- (a) lowered to a Typhoon Signal Number 3 or below at or before 11:00 hours Hong Kong time on that day and re-hoisted at or prior to 13:00 hours Hong Kong time on that day; or
- (b) lowered to a Typhoon Signal Number 3 or below after 11:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day; or

- (iv) if a Typhoon Signal Number 8 or above is in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and lowered to a Typhoon Signal Number 3 or below at or before 11:00 hours Hong Kong time on that day and re-hoisted after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed.