

**OTC Clear Clearing Rules**

**PART I GENERAL PROVISIONS**

**Chapter 1 Definitions and Interpretation**

**Definitions**

101. In these Clearing Rules, unless the context otherwise requires:

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| <b>“Minimum Capital Requirement”</b> | <p>means, in respect of any day in a calendar month:</p> <p>(1) with respect to any Clearing Member who is an Authorized Institution that is a bank (incorporated in Hong Kong or overseas*), an Authorized Institution that is a DTC or RLB incorporated overseas*, or a Remotely Regulated Entity, the higher of:</p> <p style="margin-left: 20px;">(a) HK\$10 billion; and</p> <p style="margin-left: 20px;">(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 style="margin-left: 20px;">(a) HK\$ 390 million;</p> <p style="margin-left: 20px;">(b) the capital requirement applicable to such Clearing Member set forth in the Seventh Schedule to the Banking Ordinance; and</p> <p style="margin-left: 20px;">(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 style="margin-left: 20px;">(a) HK\$ 390 million;</p> <p style="margin-left: 20px;">(b) the “required liquid capital” set forth by the Financial Resources Rule; and</p> <p style="margin-left: 20px;">(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</p> |
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~~\*—Note: Introduction of remote membership is being considered by HKEX at the moment, and is not intended to be available during the initial phase of establishment of OTC Clear.~~

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|  | all Client Position Accounts) of the Clearing Member for each day falling in the immediately preceding calendar month; |
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## Chapter 4 Legal Obligations

### Continuing Obligations

401. Each Clearing Member shall at all times:

- (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 if such Person is incorporated in England and Wales, is regulated by the Bank of England and the Financial Conduct Authority and has an Affiliate which carries on a business in Hong Kong which is regulated by the SFC, and 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 having provided to OTC Clear~~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;

## Chapter 6 Suspension and Termination of Membership

### Termination

607. A Clearing Member’s Membership may be terminated as a result of:

- (1) the operation of Clearing Rule 1224(2);
- (2) the operation of Clearing Rule 1311;
- (3) the operation of Clearing Rules 1405 and 1409; ~~or~~
- (4) a Clearing Member resigning in accordance with Clearing Rules 604 to 612, provided that no such termination shall be effective if it becomes a Defaulting Clearing Member at the time of notice of resignation or subsequently; or

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(5) a Clearing Member which is a Remotely Regulated Entity no longer has an Affiliate which carries on a business in Hong Kong which is regulated by the SFC.