

Chapter 15 Rates and FX Guarantee Resources

Rates and FX Guarantee Resources Purpose

1501. The purpose of the Rates and FX Guarantee Resources is to provide resources to support the obligations of OTC Clear as a counterparty under Contracts in respect of the Rates and FX Clearing Service but not for any other clearing service that OTC Clear may from time to time offer, and shall only be used in accordance with these Clearing Rules. The Rates and FX Guarantee Resources comprise the Rates and FX Guarantee Fund, Rates and FX Assessments and OTC Clear Contribution.
1502. Each Clearing Member agrees and acknowledges that, for the purpose of securing its liabilities (including to indemnify OTC Clear in the circumstances described in Clearing Rule 1316), it shall provide Collateral on an outright transfer basis in respect of its CM Funded Contribution Amount and CM Unfunded Contribution Amount, each in an amount determined by OTC Clear in accordance with the Clearing Procedures. With respect to a Defaulting Clearing Member, for the purpose of securing its liabilities to OTC Clear in connection with the settlement of its Contracts, the Rates and FX Contribution Balance of such Defaulting Clearing Member shall be taken into account by OTC Clear when determining the net sum payable by, or to, such Defaulting Clearing Member in accordance with Clearing Rules 1306B and 1306C. With respect to a Non-Defaulting Clearing Member, for the purpose of securing its liabilities to indemnify OTC Clear in the circumstances described in Clearing Rule 1316(2), the Rates and FX Contribution Balance of each Non-Defaulting Clearing Member may be applied in accordance with Clearing Rule 1549. Unless otherwise specified in Clearing Rule 1508(1)(a), each Clearing Member must satisfy a demand for CM Funded Contribution Amount and/or CM Unfunded Contribution Amount within two OTC Clear Business Days following the receipt of such demand from OTC Clear.

Calculations relating to the Rates and FX Guarantee Fund, Rates and FX Assessments and Rates and FX Contribution Balance

1503. Subject to Clearing Rule 1508, OTC Clear shall calculate the Rates and FX Guarantee Fund and Rates and FX Assessments and resize the CM Funded Contribution Amount and CM Unfunded Contribution Amount for each Clearing Member, in each case as detailed in section 6.1 of the Clearing Procedures, on each Rates and FX Contribution Determination Date. A “**Rates and FX Contribution Determination Date**” will occur on:
- (1) the first or second OTC Clear Business Day of each calendar month, as may be notified by OTC Clear;
 - (2) on any date if the Max EUL calculated on such date changes by more than 20% from the Max EUL calculated on the immediately preceding Rates and FX Contribution Determination Date, where “Max EUL” has the meaning given to it in section 6.1.1(6) and as modified by section 6.1.1(8) of the Clearing Procedures if Client Clearing Services are provided by one or more Clearing Members on OTC Clear Clearing Days falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date; and
 - (3) upon expiry of a Capped Liability Period pursuant to Clearing Rule 1508(2).

The Rates and FX Contribution Balance will be valued by OTC Clear daily in accordance with section 7.5.3 of the Clearing Procedures.

Initial Rates and FX Contribution

1504. A Clearing Member shall, upon receipt of a notice of approval of its application to become a Clearing Member, deliver Collateral with an aggregate value, determined by OTC Clear in accordance with Chapter 7 of the Clearing Procedures, equal to the Rates and FX Minimum Contribution Amount plus such other amount as OTC Clear may determine at its discretion based on projected clearing activity of such Clearing Member as its initial contribution to the Rates and FX Guarantee Fund. OTC Clear will set out any such additional amount required from a Clearing Member as part of its initial contribution to the Rates and FX Guarantee Fund in the notice of approval to become a Clearing Member. A Clearing Member shall satisfy its initial contribution to the Rates and FX Guarantee Fund in full no later than five OTC Clear Business Days from the date of receipt of notice of approval, or if earlier, the day prior to it submitting its first Original Transaction to OTC Clear for registration.

Further Rates and FX Contribution

1505. Following each Rates and FX Contribution Determination Date, each Clearing Member will be notified of its CM Funded Contribution Amount and CM Unfunded Contribution Amount in the Base Currency, each as determined by OTC Clear in the manner set out in Chapter 6 of the Clearing Procedures and calculated as at such Rates and FX Contribution Determination Date. The demand will be issued ~~one OTC Clear Business Day after~~ on the relevant Rates and FX Contribution Determination Date and will specify the amount of any additional Collateral required or any Rates and FX Contribution Excess. Each Clearing Member must satisfy the demand for additional Collateral one OTC Clear Business Day following receipt of such demand.

Rates and FX Assessments Demand

1506. Each Clearing Member agrees and acknowledges that, for the purpose of securing its liabilities in connection with the settlement of its Contracts pursuant to Clearing Rules 1306, 1306A, 1306B, 1306C and 1307 and to indemnify OTC Clear in the circumstances described in Clearing Rule 1316(2), it has an unconditional obligation to pay its CM Unfunded Contribution Amount in cash to the Rates and FX Guarantee Resources if required to do so by OTC Clear pursuant to Clearing Rule 1507.

1507. If, following the occurrence of a DMP Event with respect to one or more Clearing Members:

- (1) the Rates and FX Contribution Balance of all Clearing Members (for the avoidance of doubt, excluding any amounts applied by OTC Clear in connection with the DMP Event, but including the value of any Rates and FX Contribution in respect of any earlier demand of Rates and FX Assessments) falls below, or is expected to fall below, 75% of the last calculated value of the Rates and FX Guarantee Fund; or
- (2) OTC Clear determines in its sole discretion that all cash or liquid resources comprising the Rates and FX Guarantee Fund then held by it have been utilized in full, or are expected to be utilized in full, regardless of whether

the value of the Rates and FX Contribution Balance of all Clearing Members (for the avoidance of doubt, excluding any amounts applied by OTC Clear in connection with the DMP Event, but including the value of any Rates and FX Contribution in respect of any earlier demand of Rates and FX Assessments) have fallen below 75% of the last calculated value of the Rates and FX Guarantee Fund,

OTC Clear may issue a Rates and FX Assessments demand to each Non-Defaulting Clearing Member demanding it to contribute its CM Unfunded Contribution Amount to bring the total Rates and FX Contribution Balance of all Clearing Members to 100% of the last calculated value of the Rates and FX Guarantee Fund. If a Rates and FX Assessments demand is issued by OTC Clear under this Clearing Rule 1507, unless otherwise specified in Clearing Rule 1508(1)(a), each Clearing Member has an unconditional obligation to deliver its CM Unfunded Contribution Amount so demanded within [two](#) OTC Clear Business Days following receipt of such demand from OTC Clear. OTC Clear may issue multiple Rates and FX Assessments demands under this Clearing Rule 1507 following a DMP Event, provided that no such Rates and FX Assessments demands shall cause the Rates and FX Liability in respect of a Clearing Member to exceed its Maximum Current Liability set out in Clearing Rule 1544.

Rates and FX Contribution due to Recalculations or Replenishments

1508.

- (1) Subject to sub-paragraph (2) below, if the Rates and FX Contribution Balance in respect of a Clearing Member is less than the then current Rates and FX Liability of that Clearing Member, OTC Clear will notify such Clearing Member of the updated CM Funded Contribution Amount in the Base Currency, and:
 - (a) if the shortfall arises as a result of 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, the Clearing Member shall deliver additional Collateral required to meet such shortfall to OTC Clear within one hour following receipt of such demand;
 - (b) in all other cases, the Clearing Member shall deliver additional Collateral required to meet such shortfall to OTC Clear within [two](#) OTC Clear Business Days following receipt of such demand;
- (2) save and except for the circumstance described in Clearing Rule 1510(2), following the occurrence of any DMP Event, any recalculation of the Rates and FX Guarantee Fund and Rates and FX Assessments shall be suspended until after the expiry of the relevant Capped Liability Period. Upon the expiry of a Capped Liability Period, OTC Clear will recalculate the Rates and FX Guarantee Fund, the Rates and FX Assessments and with respect to each Non-Defaulting Clearing Member, the Rates and FX Contribution Balance and the Rates and FX Liability relating to each such Non-Defaulting Clearing Member. In any such recalculation, and with respect to each Non-Defaulting Clearing Member, OTC Clear shall take into

account any reduction in the Rates and FX Contribution Balance relating to such Non-Defaulting Clearing Member by the amount applied during the Default Management Process in respect of such Capped Liability Period in accordance with Clearing Rule 1516. If the Default Management Process(es) in respect of any DMP Event(s) relating to such Capped Liability Period has not been completed at the time of recalculation, OTC Clear shall, for the purpose of determining the Rates and FX Contribution Balance in sub-paragraph (1) above only, and only for so long as the relevant Default Management Process(es) have not been completed, treat the Rates and FX Contribution Balance prior to the end of the Capped Liability Period as having been applied in full regardless of whether such Rates and FX Contribution Balance have in fact been so applied, in whole or in part. Following completion of the relevant Default Management Process(es), OTC Clear will determine the reduction in the Rates and FX Contribution Balance with respect to each Clearing Member, and a Clearing Member may request the redelivery of Collateral in respect of any Rates and FX Contribution Excess in accordance with Clearing Rule 1546. Subject to sub-paragraph (3) below, any Rates and FX Contribution delivered by any Clearing Member following the expiry of such Capped Liability Period shall not be applied in respect of any Rates and FX Loss arising out of any DMP Event occurring prior to the expiry of such Capped Liability Period; and

- (3) notwithstanding sub-paragraph (2) above, following the expiry of a Capped Liability Period, OTC Clear may apply any Rates and FX Contribution delivered to it prior to the end of such Capped Liability Period and may demand additional Rates and FX Assessments up to the Maximum Current Liability relating to such Capped Liability Period, in each case, for application in accordance with Clearing Rule 1516 in respect of DMP Event(s) relating to such Capped Liability Period.

1509. Unless otherwise specified in Clearing Rule 1508(1)(a), each Clearing Member shall deliver additional Collateral in respect of its Rates and FX Liability as notified to it by OTC Clear within ~~two~~ one OTC Clear Business Days following receipt of demand from OTC Clear. For the avoidance of doubt, in respect of any Rates and FX Contribution Determination Date falling after the occurrence of the DMP Event with respect to a Defaulting Clearing Member, such Defaulting Clearing Member will not be included for the purpose of recalculation of the Rates and FX Guarantee Fund and Rates and FX Assessments by OTC Clear on any such Rates and FX Contribution Determination Date, notwithstanding the fact that the Membership Termination Date of such Defaulting Clearing Member may fall on or after any such Rates and FX Contribution Determination Date.

1510. Notwithstanding the operation of Clearing Rule 1508, if OTC Clear determines that:

- (1) the Daily GF Value with respect to a Clearing Member on any two consecutive OTC Clear Clearing Days during the period between two Rates and FX Contribution Determination Dates exceeds the Daily GF Value determined on the earlier of the two Rates and FX Contribution Determination Dates by 15% or more and such Daily GF Value exceeds the Rates and FX Minimum Contribution Amount; or