

Chapter 6 Suspension and Termination of Membership

Suspension

601. OTC Clear shall be entitled to suspend a Clearing Member:

- (1) if OTC Clear in its reasonable discretion determines that an Event of Default has occurred in respect of a Clearing Member;
- (2) as a result of disciplinary proceedings brought against that Clearing Member pursuant to Chapter 14 of these Clearing Rules;
- (3) in the event of any Force Majeure Event or Illegality affecting the Clearing Member;
- (4) if OTC Clear at its discretion considers that suspension of the Membership of such Clearing Member is necessary to protect the interests of OTC Clear or its Clearing Members (excluding the Clearing Member concerned); or
- (5) if and to the extent permitted by any provision in the Articles of Association.

In respect of a suspension under Clearing Rules 601(1) to (4), the suspension may occur on such terms and for such period as OTC Clear may think fit. In respect of a suspension under Clearing Rule 601(5), the suspension may occur on such terms and for such period as OTC Clear may think fit and as contemplated in the relevant provisions in the Articles of Association.

602. Where a Clearing Member is suspended:

- (1) all monies, including any Margin requirements and its Rates and FX Liability, due to OTC Clear shall remain due and payable by the Clearing Member as if it had not been suspended;
- (2) it shall not enter into any new Contracts other than to offset any existing Contracts, or otherwise directed by, or with the consent of, OTC Clear;
- (3) OTC Clear may, after consultation with the Risk Management Committee, order the liquidation of all or a portion of the Contracts of the Clearing Member;
- (4) subject to sub-paragraph (3) above, the suspension shall not in any way affect the validity or enforceability of any Contract or other agreement or arrangement to which that Clearing Member was party prior to the suspension;
- (5) OTC Clear may take such action pursuant to these Clearing Rules as it, in its absolute discretion, sees fit;
- (6) a suspended Clearing Member shall, prior to its Membership Termination Date, continue to be bound by the Clearing Documentation during such period of suspension; and
- (7) notice of suspension of Membership of any Clearing Member shall be given by OTC Clear as soon as reasonably practicable to all Clearing Members and the SFC.

603. OTC Clear shall be entitled, at any time and at its discretion, to revoke the suspension imposed on a Clearing Member under Clearing Rule 601.

Resignation

604. A Clearing Member may resign its Membership by giving written notice at any time to OTC Clear, such resignation to become effective on the later of:
- (1) the OTC Clear Clearing Day on which each of the:
 - (a) Initial Margin requirements (in respect of each Position Account of such resigning Clearing Member) shown on the end-of-day Margin report published on such day; and
 - (b) the net notional of all Contracts recorded in the name of such resigning Clearing Member, becomes zero; and
 - (2) the date designated by such resigning Clearing Member, (the "**Resignation Effective Date**").
605. A notice of resignation may only be revoked with the prior written consent of OTC Clear. The resigning Clearing Member is required to submit a written request to OTC Clear giving reasons for the revocation within five OTC Clear Business Days of its submission of the resignation notice. OTC Clear will notify such Clearing Member in writing whether it accepts the revocation request.
606. If OTC Clear is satisfied that a Clearing Member is resigning its Membership pursuant to a reorganization of the group of companies of which the Clearing Member is a member and in circumstances where another company in the same group ("**substitute company**") is to become a Clearing Member and to continue the business of the existing Clearing Member (the "**resigning Clearing Member**") in place of the resigning Clearing Member (and for this purpose a company shall be regarded as in the same group as another company if, in the opinion of OTC Clear, the ultimate beneficial owners of both companies are the same or substantially the same), then, upon written application of the resigning Clearing Member, OTC Clear may issue a written notice exempting the resigning Clearing Member from compliance with Clearing Rules 608(2) and 609. OTC Clear may, in its absolute discretion, allow the resigning Clearing Member's Rates and FX Contribution to be credited to the substitute company with effect from a date stipulated by OTC Clear (such date not to be later than the date upon which the new member becomes a Clearing Member). Any such notice may be issued on such conditions as OTC Clear thinks fit. OTC Clear shall have an absolute discretion to determine whether or not the ultimate beneficial ownership of companies is "**the same or substantially the same**" and OTC Clear's decision in relation to the same shall be final and binding.

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;
- (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
- (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.

Resignation and Termination

608. Unless otherwise determined by OTC Clear, a Clearing Member who gives notice of resignation of its Membership or whose Membership is being terminated by OTC Clear pursuant to Clearing Rule 1224(2) or 1405 shall, prior to the relevant Membership Termination Date:
- (1) subject to Clearing Rule 609, continue to be obliged to pay when due all amounts required by OTC Clear in accordance with the Clearing Documentation, including without limitation, its Margin requirements, its Rates and FX Liability and cash payment obligations until its Membership Termination Date;
 - (2) in respect of a Clearing Member who gives notice of resignation of its Membership, at the time it gives such notice or within such time period specified by OTC Clear, submit to OTC Clear a plan for a Non-Default Unwind of all Contracts to which it is party, and shall adhere to that plan until the Resignation Effective Date;
 - (3) in respect of a Clearing Member whose Membership is being terminated by OTC Clear, cooperate with OTC Clear in winding down its business with OTC Clear;
 - (4) not enter into any new Contracts, except if such new Contracts are risk-reducing as determined by OTC Clear; and
 - (5) continue to be bound by the Clearing Documentation until the Membership Termination Date.
609. A Clearing Member's liability after its Membership Termination Date in respect of any Rates and FX Loss shall be limited to any Rates and FX Loss arising out of any DMP Event occurring in any Capped Liability Period that has commenced prior to its Membership Termination Date (even if the expiry of the relevant Capped Liability Period occurs after the Membership Termination Date). In addition, any application of the Rates and FX Contribution Balance or demand for the CM Unfunded Contribution Amount after a Clearing Member's Membership Termination Date in respect of such Rates and FX Loss shall be limited to its Maximum Current Liability in respect of the relevant Capped Liability Period.
610. In respect of a Clearing Member whose Membership is being terminated by OTC Clear pursuant to Clearing Rule 1405, or in respect of a resigning Clearing Member who has failed to comply with Clearing Rule 608(2) (including its obligation to adhere to the Non-Default Unwind plan), OTC Clear may deem

such Clearing Member as Defaulting Clearing Member and take all necessary steps, including but not limited to those set out in Clearing Rules 1306, 1306A, 1306B, 1306C and 1307 or to initiate the Default Management Process in order to ensure the orderly winding down of such Clearing Member's business in relation to OTC Clear.

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

Former Clearing Members

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