

Chapter 21I Inter-CCP SHCH Margin Amount

Inter-CCP SHCH Margin Amount, Collateral and Variation Margin

- 21I01. The Special Clearing House Participant shall, in respect of each Contract registered in its name, pay or provide, on demand by OTC Clear, Collateral in respect of the Inter-CCP SHCH Margin Amount in such amounts, in such forms and at such times in accordance with Chapter 11 of the Clearing Procedures.
- 21I02. The amount of the Collateral in respect of the Inter-CCP SHCH Margin Amount and Variation Margin payable by or (in some cases in respect of Variation Margin) to the Special Clearing House Participant shall be determined in accordance with Chapter 11 of the Clearing Procedures.
- 21I03. Collateral in respect of the Inter-CCP SHCH Margin Amount in respect of each immediately preceding Northbound Clearing Day shall be satisfied by the Special Clearing House Participant on each Northbound Clearing Day.
- 21I04. The Variation Margin payable by or to the Special Clearing House Participant in respect of each Northbound Clearing Day shall be determined on each Northbound Clearing Day. If such calculation indicates an increase in the Variation Margin payable by the Special Clearing House Participant, OTC Clear will be entitled to demand additional Collateral from the Special Clearing House Participant.

Inter-CCP SHCH Margin Amount Settlement

- 21I05. The Inter-CCP SHCH Margin Amount may be satisfied by payment in cash in any Eligible Inter-CCP Currency.
- 21I06. The Variation Margin requirements must be satisfied by payments in cash in the relevant Contractual Currency of each Contract pursuant to the relevant Contract Terms of such Contract.
- 21I07. If any Inter-CCP SHCH Margin Amount falls due and the Margin Balance (excluding any income on the Collateral credited into the Hong Kong Collateral Account) of the Special Clearing House Participant is insufficient to cover its Inter-CCP SHCH Margin Amount as determined by OTC Clear, the Special Clearing House Participant shall deliver such Collateral in such form and manner and at or prior to the time specified in Chapter 11 of the Clearing Procedures. Cash delivered by the Special Clearing House Participant to OTC Clear for satisfaction of its Inter-CCP SHCH Margin Amount will be held by OTC Clear in accordance with Chapter 11 of the Clearing Procedures and the Inter-CCP SHCH Charge Agreement.

Acceptable Collateral for Inter-CCP SHCH Margin Amount

- 21I08. Without prejudice to the rights of OTC Clear to restrict, add to, modify or impose limits with respect to Collateral pursuant to these Clearing Rules, OTC Clear may restrict or add to the types of Eligible Inter-CCP Currencies and acceptable Collateral, or modify any valuation procedures or haircuts set out in section 11.11 of the Clearing Procedures, or impose a maximum on the amount of each type of Eligible Inter-CCP Currency or Collateral which OTC Clear may accept for purposes of satisfying the Inter-CCP SHCH Margin Amount in accordance with Chapter 11 of the Clearing Procedures.
- 21I09. OTC Clear may incur charges or costs or may be charged negative interest rates when investing any Collateral in respect of the Inter-CCP SHCH Margin Amount delivered in the form of cash by the Special Clearing House Participant, the Excess Inter-CCP SHCH Margin

and income on such Collateral. If it does so, OTC Clear shall be entitled to demand reimbursement of such amounts from the Special Clearing House Participant.

21110. The Special Clearing House Participant may provide Collateral in excess of the Inter-CCP SHCH Margin Amount applicable to its House Position Account. Any such Collateral provided by the Special Clearing House Participant and income on such Collateral will be credited to the Hong Kong Collateral Account and shall form part of its Margin Balance. The income on such Collateral and credited into the Hong Kong Collateral Account shall be transferred to the Special Clearing House Participant in accordance with Chapter 11 of the Clearing Procedures and the Inter-CCP SHCH Charge Agreement.
21111. The Special Clearing House Participant may request OTC Clear to redeliver Collateral in equivalent form and currency as any Collateral it has delivered to OTC Clear as the Inter-CCP SHCH Margin Amount (including income on such Collateral and credited in the Hong Kong Collateral Account) in a value not exceeding the Special Clearing House Participant's Excess Inter-CCP SHCH Margin once per Northbound Clearing Day. The Special Clearing House Participant shall specify the exact form and currency of the relevant Collateral requested to be redelivered on a Northbound Clearing Day. Following receipt of such request, OTC Clear will deliver to the Special Clearing House Participant Collateral in equivalent form and currency as requested in an amount not exceeding the Excess Inter-CCP SHCH Margin no later than the next immediate Northbound Clearing Day.

Rights relating to Collateral in respect of Inter-CCP SHCH Margin Amount and Representations

21112. OTC Clear will take no account of any right or interest which any Person other than the Special Clearing House Participant may have in any Collateral provided by, or on behalf of, the Special Clearing House Participant to OTC Clear.
21113. The Special Clearing House Participant represents and warrants to OTC Clear that:
- (1) immediately prior to delivery of the Collateral to OTC Clear, in respect of the Collateral that are:
 - (i) owned by the Special Clearing House Participant, the Special Clearing House Participant is the sole legal and beneficial owner of such Collateral delivered to OTC Clear; and
 - (ii) risk asset contribution provided by the clearing participants of the Special Clearing House Participant to the Special Clearing House Participant for the purposes of their contribution into the Inter-CCP SHCH Margin Amount to be satisfied by the Special Clearing House Participant in accordance with the SHCH Clearing Rules and the SHCH Clearing Guidelines:
 - (A) the Special Clearing House Participant has obtained authorisation from its clearing participants that has not been revoked for the delivery of such risk asset contribution as Collateral to OTC Clear; and
 - (B) the Special Clearing House Participant has fully disclosed to its clearing participants and such clearing participants have irrevocably agreed, consented and acknowledged that:
 - (a) part or all of the risk asset contribution provided by them will be deposited by the Special Clearing

House Participant into the Hong Kong Collateral Account;

- (b) they shall not commence or continue any execution or other legal process for the enforcement of a judgment or order, or levy any distress, against OTC Clear for such risk asset contribution forming part of the Collateral. The Special Clearing House Participant undertakes to procure them not to commence, continue or levy such against OTC Clear and the Special Clearing House Participant shall deal with or resolve any issues and claims directly with its clearing participants including getting a discharge of their interest or claims over any risk asset contribution provided by the Special Clearing House Participant's clearing participants upon the expiry and termination of the transactions or termination of their memberships with the Special Clearing House Participant (due to their resignation, insolvency or otherwise) of such clearing participants;
- (c) OTC Clear shall have priority over them with respect to any such risk asset contribution delivered to OTC Clear; and
- (d) their only recourse with respect to such risk asset contribution deposited with OTC Clear shall only be to the Special Clearing House Participant (but not OTC Clear) in accordance with the SHCH Clearing Rules and the SHCH Clearing Guidelines,

and the Special Clearing House Participant shall indemnify, defend and hold harmless OTC Clear on a continuing basis in respect of any and all actions taken or purported to be taken by the Special Clearing House Participant's clearing participants in connection with the risk asset contribution forming part of the Collateral, and any loss, claim, damage or expense (including legal costs) sustained or incurred by OTC Clear as a result of any such actions taken or purported to be taken by the Special Clearing House Participant's clearing participants;

- (3) any Collateral delivered to OTC Clear pursuant to these Clearing Rules is not subject to any Encumbrance whatsoever save for any Encumbrance in favour of OTC Clear;
- (4) in delivering the Collateral to OTC Clear pursuant to these Clearing Rules, the Special Clearing House Participant is not in breach of any of its contractual obligations towards any third party or under any Applicable Laws and the Collateral is not subject to any other legal or contractual restriction which may result in any

adverse consequences to OTC Clear or on the ability of OTC Clear to value or enforce its security over such Collateral;

- (5) all filings and registrations necessary for the purpose of the creation, perfection, protection and maintenance of any security conferred or intended to be conferred on OTC Clear by or pursuant to the Inter-CCP SHCH Charge Agreement have been effected and are in full force and effect; and
- (6) the Inter-CCP SHCH Charge Agreement in respect of the Collateral in the Hong Kong Collateral Account creates in favour of OTC Clear the security which it is expressed to create with the ranking and priority it is expressed to have.

The representations and warranties made by the Special Clearing House Participant pursuant to this Clearing Rule 21113 shall be deemed to be repeated by it on each day Collateral is delivered to OTC Clear pursuant to these Clearing Rules.

21114. The Special Clearing House Participant shall be liable to OTC Clear for any Damage incurred by OTC Clear as a result of OTC Clear possessing, holding, perfecting the title to or otherwise being associated with, any Collateral delivered by the Special Clearing House Participant.

Position Limits

21115. A House Account Limit and/or Absolute Risk Limit shall apply to the Special Clearing House Participant in respect of its House Position Account.

21116. If the Special Clearing House Participant exceeds any Position Limits imposed, the Special Clearing House Participant must notify OTC Clear. OTC Clear will not register any Original Northbound Transactions if registration of any such Original Northbound Transactions will result in a breach of any Position Limits applicable to the Special Clearing House Participant.

Inter-CCP OTCC Margin Amount and Collateral

21117. OTC Clear shall provide Collateral in respect of the Inter-CCP OTCC Margin Amount to the Special Clearing House Participant in respect of a Northbound Clearing Day. Collateral in respect of the Inter-CCP OTCC Margin Amount may be satisfied by payment in cash in any Eligible Inter-CCP Currency.