

## Chapter 21M Auction

### General Provisions

21M01. The Special Clearing House Participant shall (i) ensure that each PRC Bidder (if any) is informed that its Bids shall be firm and binding, (ii) verify that each PRC Bidder satisfies the requirements prescribed by it pursuant to the SHCH Clearing Rules before submitting the Bids to OTC Clear and (iii) use commercially reasonable efforts to procure that each PRC Bidder keeps any information in connection with the Auction process (including the Auction Portfolios) confidential.

21M02. The Special Clearing House Participant shall procure that any notices, communication or other information that it receives from OTC Clear in connection with the Auction process for the attention of any potential or actual PRC Bidders, including without limitation, any invitation to Bid for any Auction Portfolio and any notices specified in Clearing Rules 21M05 and 21M06, shall be promptly notified to the relevant potential or actual PRC Bidders.

21M03. The Special Clearing House Participant shall procure that any communication that it receives from PRC Bidders in connection with the Auction process for the attention of OTC Clear, including without limitation, any Bids for any Auction Portfolio, shall be promptly notified to OTC Clear.

21M04. The Special Clearing House Participant agrees that, following the completion of an Auction where the Successful Bidders are PRC Bidders:

- (1) it shall enter into a corresponding contract on the same economic terms as the Auction Positions of the Standard Northbound Rates Derivatives Contracts that the Successful Bidder who is a PRC Bidder has won with such Successful Bidder under the SHCH Clearing Rules and the SHCH Clearing Guidelines, and any Inter-CCP Rates Derivatives Contracts between OTC Clear and the Special Clearing House Participant relating to such Auction Positions shall be terminated; and
- (2) in addition, to the extent that there are Auction Positions that are Hedging transactions, the Inter-CCP Rates Derivatives Contracts relating to such Auction Positions shall be created between OTC Clear and the Special Clearing House Participant on the same economic terms as the Auction Positions that the Successful Bidder who is a PRC Bidder has won.

21M05. The Special Clearing House Participant agrees that, if an Auction is unsuccessful, the Inter-CCP Rates Derivatives Contracts relating to such Auction Positions executed between OTC Clear and the Special Clearing House Participant may be subject to termination pursuant to a Contract Termination Event and the Contract Termination Net Payment will be calculated by reference to curves constructed by the Special Clearing House Participant based on the market data obtained at or around 16:00 hours China Standard Time on the Final Settlement Cycle Determination Date. OTC Clear or the Special Clearing House Participant (as the case may be) will, as soon as reasonably practicable on the Final Settlement Cycle Determination Date and following notification by the other party of the Contract Termination Net Payment payable, pay to the other party such amount within one OTC Clear Business Day or Northbound Clearing Day (as the case may be) after the Final Settlement Cycle Determination Date.

### **Successful Auction (PRC Bidders)**

21M06. Following the completion of an Auction or Contract Termination Event (as applicable) with respect to all Auction Portfolios constructed for a DMP Event:

- (1) all Successful Bidders who are PRC Bidders (if any) will be notified by OTC Clear through the Special Clearing House Participant of their Successful Bids; and
- (2) where there are Successful Bidders who are PRC Bidders, the Special Clearing House Participant will be notified by OTC Clear of the Auction Payment or Auction Receivable (as applicable) payable in connection with the termination of the Inter-CCP Rates Derivatives Contracts relating to the Auction Positions that are notional trades and (to the extent that there are Auction Positions that are Hedging transactions) registration of the Inter-CCP Rates Derivatives Contracts relating to such Auction Positions.

21M07. The Special Clearing House Participant will be required to comply with such conditions as may be required by OTC Clear, after consultation with the Default Management Group, to effect the termination and/or registration of the relevant Inter-CCP Rates Derivatives Contracts with OTC Clear. Upon the completion of the Auction(s):

- (1) the Special Clearing House Participant shall provide OTC Clear with Collateral to satisfy the Inter-CCP SHCH Margin Amount and OTC Clear shall provide the Special Clearing House Participant with Collateral to satisfy the Inter-CCP OTCC Margin Amount (as applicable) required for the registration of the Inter-CCP Rates Derivatives Contracts relating to the Auction Positions that are Hedging transactions, such Collateral must be delivered by the Special Clearing House Participant and OTC Clear (as applicable) on or prior to the relevant Auction Payment Date;
- (2) the Special Clearing House Participant shall pay to OTC Clear any Auction Payment on or prior to the Auction Payment Date; and
- (3) OTC Clear shall pay to the Special Clearing House Participant any Auction Receivable on or prior to the Auction Receivable Payment Date.

### **Failure to Pay where PRC Bidders are Successful Bidders**

21M08. If the Special Clearing House Participant fails to pay in full to OTC Clear the corresponding Auction Payment or (to the extent that there are Auction Positions that are Hedging transactions) fails to provide in full the corresponding required Collateral in respect of the Inter-CCP SHCH Margin Amount to OTC Clear, in either case, on or prior to the relevant Auction Payment Date, such failure shall constitute an SHCH Event of Default pursuant to Clearing Rule 21J02 (subject to the expiry of any applicable Tolerance Period).

21M09. If OTC Clear fails to pay in full to the Special Clearing House Participant the corresponding Auction Receivable or (to the extent that there are Auction Positions that are Hedging transactions) fails to provide in full the corresponding required Collateral in respect of the Inter-CCP OTCC Margin Amount to the Special Clearing House Participant, in either case, on or prior to the relevant Auction Receivable Payment Date, such failure shall constitute an OTC Clear Failure to Pay SHCH Event pursuant to Clearing Rule 21J12 (subject to the expiry of any applicable Tolerance Period).