

## Chapter 27 Product Specific Terms for Standard Northbound Rates Derivatives Contracts

### Product Specific Terms for Standard Northbound Rates Derivatives Contracts

2701. The terms of a Standard Northbound Rates Derivatives Contract shall include the following terms (together, the “**Standard Northbound Rates Derivatives Contract Terms**”):

- (1) Clearing Rules 2703 to 2707 (the “**Interpretation Provisions**”);
- (2) the Economic Terms; and
- (3) the General Terms, as set out in Clearing Rules 2712 to 2715,

each as interpreted in accordance with the Interpretation Provisions.

2702. In the event of any inconsistency between the Economic Terms and General Terms, the General Terms will prevail.

### Interpretation

2703. Unless otherwise specified, terms used in the Standard Northbound Rates Derivatives Contract Terms but not defined in the Clearing Documentation shall have the meanings given to them in Paragraph 5.1 of the SHCH Clearing Guidelines (Chinese version) and the NAFMII Definitions (Chinese version). In the event of any inconsistency between Paragraph 5.1 of the SHCH Clearing Guidelines and the NAFMII Definitions, Paragraph 5.1 of the SHCH Clearing Guidelines will prevail. In the event of any inconsistency between Paragraph 5.1 of the SHCH Clearing Guidelines and the Clearing Documentation, the Clearing Documentation will prevail. OTC Clear may from time to time publish a notice appending Paragraph 5.1 of the SHCH Clearing Guidelines (Chinese version) and the relevant NAFMII Definitions (Chinese version) and (for reference only) their English translations.

2704. In deriving the Economic Terms of the Standard Northbound Rates Derivatives Contract from the Transaction Data of the corresponding Original Standard Northbound Rates Derivatives Transaction, all references in the NAFMII Definitions to an interest rate derivative transaction shall be deemed to be references to an “**Original Standard Northbound Rates Derivatives Transaction**”.

2705. Subject to any subsequent Northbound IRS Amendment adopted by OTC Clear pursuant to Clearing Rule 2706, the NAFMII Definitions and the Standard Northbound Rates Derivatives Contract Terms applicable to a Standard Northbound Rates Derivatives Contract shall be those applicable as at the Registration Time of such Standard Northbound Rates Derivatives Contract.

2706. In case of any Northbound IRS Amendment, OTC Clear may, in its sole discretion, determine whether any such Northbound IRS Amendment should be adopted for the purpose of interpreting or implementing the Standard Northbound Rates Derivatives Contract Terms, the manner of any such adoption and when such adoption shall take effect, and notify all Clearing Members of the same. Any non-receipt of such notice by Clearing Members shall not invalidate the effectiveness of the adoption of any Northbound IRS Amendment by OTC Clear.

2707. The Standard Northbound Rates Derivatives Contract Terms supplement, form part of, and are subject to, these Clearing Rules. In the event of any inconsistency between the Standard Northbound Rates Derivatives Contract Terms and these Clearing Rules, these Clearing Rules will prevail.

## Economic Terms

2708. The Economic Terms of a Standard Northbound Rates Derivatives Contract are derived from the Transaction Data relating to the corresponding Original Standard Northbound Rates Derivatives Transaction. The Original Standard Northbound Rates Derivatives Transaction submitted to OTC Clear for registration must include information that satisfies each of the "Transaction Elements" fields set out in Paragraph 5.1 of the SHCH Clearing Guidelines.
2709. Pursuant to Clearing Rule 8A07(1), if Clearing Member A was the party paying a rate ("**Rate A**") to, and receiving a rate ("**Rate B**") from, the PRC dealer, and the PRC dealer was the party paying Rate B to, and receiving Rate A from, Clearing Member A under an Original Standard Northbound Rates Derivatives Transaction, then upon registration of the same as a Standard Northbound Rates Derivatives Contract between OTC Clear and Clearing Member A, an Inter-CCP Rates Derivatives Contract between OTC Clear and the Special Clearing House Participant and a cleared contract between the relevant PRC dealer and the Special Clearing House Participant governed by and subject to the terms of the clearing rules of the Special Clearing House Participant, and when deriving the relevant Economic Terms relating to any interest amount from the Transaction Data of the corresponding Original Standard Northbound Rates Derivatives Transaction, Inter-CCP Rates Derivatives Transaction and cleared transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, the Special Clearing House Participant and pay Rate B to, and receive Rate A from, Clearing Member A, and the Special Clearing House Participant will pay Rate A to, and receive Rate B from, the PRC dealer.
2710. Pursuant to Clearing Rule 8A07(2), if the Relevant Client was the party paying a rate ("**Rate C**") to, and receiving a rate ("**Rate D**") from, the PRC dealer, and the PRC dealer was the party paying Rate D to, and receiving Rate C from, the Relevant Client under an Original Standard Northbound Rates Derivatives Transaction, then upon registration of the same as a Standard Northbound Rates Derivatives Contract between OTC Clear and Clearing Member B (in respect of its Client Position Account relating to the Relevant Client), an Inter-CCP Rates Derivatives Contract between OTC Clear and the Special Clearing House Participant and a cleared contract between the relevant PRC dealer and the Special Clearing House Participant governed by and subject to the terms of the clearing rules of the Special Clearing House Participant, and when deriving the relevant Economic Terms relating to any interest amount from the Transaction Data of the corresponding Original Standard Northbound Rates Derivatives Transaction, Inter-CCP Rates Derivatives Transaction and cleared transaction, the terms shall be derived such that OTC Clear will pay Rate C to, and receive Rate D from, the Special Clearing House Participant and pay Rate D to, and receive Rate C from, Clearing Member B (in respect of its Client Position Account relating to the Relevant Client), and the Special Clearing House Participant will pay Rate C to, and receive Rate D from, the PRC dealer.

## General Terms

2711. Clearing Rules 2712 to 2715 are designated as General Terms of Standard Northbound Rates Derivatives Contracts.

## Clearing Rules

2712. A Standard Northbound Rates Derivatives Contract shall be subject to the Clearing Rules, which shall form a part of its terms. In the event of any inconsistency between these Contract Terms and the Clearing Rules, the Clearing Rules will prevail.

**Calculation Agent**

2713. OTC Clear shall be deemed the Calculation Agent in respect of each Standard Northbound Rates Derivatives Contract, whom shall have the power to make adjustments to the terms of each Standard Northbound Rates Derivatives Contract in good faith and in a reasonable manner to match the terms of each corresponding Inter-CCP Rates Derivatives Contract.

**Tax Provisions**

2714. Chapter 11 of these Clearing Rules shall form part of the Standard Northbound Rates Derivatives Contract Terms as if they were set out in full herein.

**Governing Law**

2715. Each Standard Northbound Rates Derivatives Contract shall be governed by and construed in accordance with the laws of Hong Kong and the parties irrevocably agree for the benefit of OTC Clear that the courts of Hong Kong shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. Each Clearing Member hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of Hong Kong shall not (and shall not be construed so as to) limit the right of OTC Clear to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude OTC Clear from taking action in any other jurisdiction, whether concurrently or not.