

香港場外結算有限公司

(香港交易及結算所有限公司附屬公司)

OTC CLEARING HONG KONG LIMITED

(A subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Amendments to the Clearing Rules of OTC Clearing Hong Kong Limited (“OTC Clear”)

Enquiry: OTC Product Development Team Hotline: 2211 6068
Email: OTC_BCD@hkex.com.hk

Clearing Members of OTC Clear are requested to note that the Securities and Futures Commission has approved amendments to the Clearing Rules of OTC Clear for the purposes of (i) setting out the general rules to convert the floating rate which is determined by reference to any interbank offered rate to a new floating rate and (ii) implementation of the conversion plan in relation to the cessation of USD London Interbank Offered Rate to actively convert outstanding cleared USD LIBOR legacy contracts to Secured Overnight Financing Rate contracts.

The amendments, as set out in the Appendix will take immediate effect.

The marked-up version of the amendments can be downloaded from the "[Rule Update - OTC Clear Clearing Rules](#)" section of the HKEX website.

Florence Leung
Head of Legal

OTC Clear Clearing Rules

Chapter 10B Floating Rate Conversion

10B01. Without prejudice to any other provisions contained in these Clearing Rules, from time to time, OTC Clear may amend the floating rate and calculation of the floating amounts under any Contract which are determined by reference to any Interbank Offered Rate, regardless of any fallbacks that may otherwise apply in relation to the floating rate or calculation of the floating amounts pursuant to the Contract Terms of such Contract (a “**Floating Rate Conversion**”) in accordance with the terms of a Floating Rate Conversion Supplement.

10B02. In furtherance of effecting the Floating Rate Conversion, OTC Clear may, among other things:

- (1) modify and/or supplement the Contract Terms of each Affected Derivatives Contract registered with OTC Clear, as specified by OTC Clear;
- (2) create certain operational bookings in order to facilitate and/or reflect the legal amendments made to each Affected Derivatives Contract;
- (3) create new payment obligations to reflect the change in the net present value of one or more Affected Derivatives Contracts; and
- (4) create and register new Contract(s) to reflect amendments made to each Affected Derivatives Contract,

in accordance with the relevant Floating Rate Conversion Supplement.

10B03. Prior to a Floating Rate Conversion taking effect, OTC Clear shall deliver the relevant Floating Rate Conversion Notice to the Clearing Members, which will set out amongst other things:

- (1) the Existing Floating Rate Option subject to the Floating Rate Conversion;
- (2) the New Floating Rate Option as a result of the Floating Rate Conversion;
- (3) the Floating Rate Conversion Date;
- (4) the Affected Derivatives;
- (5) the Floating Rate Conversion Supplement that shall apply in relation to the change of the Floating Rate Option referred to above and any dates or information required to be communicated pursuant to such Floating Rate Conversion Supplement; and
- (6) any other information as may be relevant to effect the Floating Rate Conversion.

10B04. The Floating Rate Conversion Supplement shall include any other procedures or mechanisms OTC Clear determines are required to give effect to the changes referred to above, including certain operational procedures which will include the recording of certain operational bookings in OTC Clear service to operationally represent the Contracts as amended pursuant to the terms of the Floating Rate Conversion Supplement. These operational bookings are not Contracts for the purposes of the Clearing Rules and are for operational purposes only. Where OTC Clear determines appropriate, OTC Clear's internal governance and booking procedures will provide that such operational bookings and any reports generated by OTC Clear in connection therewith shall be interpreted accordingly.

10B05. OTC Clear may, from time to time, amend, modify, supplement, replace, withdraw, or override the terms of the Floating Rate Conversion Notice or Floating Rate Conversion Supplement by issuing a Clearing Notice or such other method as OTC Clear shall determine is appropriate.

10B06. Following the publication of the Floating Rate Conversion Supplement, each Clearing Member (acting individually) hereby appoints OTC Clear, with the full power and authority of that Clearing Member, to (if applicable):

- (1) act as its agent, to enter into, in the name of, and on behalf of, that Clearing Member, one or more Contracts on terms determined by that Floating Rate Conversion Supplement;
- (2) in reliance on the deemed instructions that Clearing Member provides on behalf of it and its Clients pursuant to the terms of the Floating Rate Conversion Supplement, to register any Contracts so entered into under this Clearing Rule and the Floating Rate Conversion Supplement in the relevant Position Account held in that Clearing Member's name (as applicable); and
- (3) (A) execute in that Clearing Member's name and on that Clearing Member's behalf any document, contract, deed or other agreement, or (B) do, or cause to be done, any acts, in each case as OTC Clear determines (acting in good faith and in a commercially reasonable manner) to be lawfully necessary to give effect to the new Contracts entered into pursuant to the foregoing,

provided however that, in all cases the terms of each Contract amended and/or entered into and registered pursuant to the foregoing provisions and the accounts in which such Contracts are or shall be registered shall be determined pursuant to the methodology set out in the relevant Floating Rate Conversion Supplement pursuant to which such powers are exercised.

10B07. Each Clearing Member agrees and acknowledges that, notwithstanding anything to the contrary in these Clearing Rules or any Clearing Procedure, the terms of any Floating Rate Conversion Supplement and/or any Floating Rate Conversion Notice may amend, supplement, and/or modify the terms of any Contract to which such Floating Rate Conversion Supplement and/or any Floating Rate Conversion Notice relates, and following the publication of a Floating Rate Conversion Supplement or delivery of a Floating Rate Conversion Notice (or any subsequent date specified for such purpose by OTC Clear), the

rights and obligations of OTC Clear and each Clearing Member under each such Contract shall be performed in accordance with the Contract Terms, as amended, supplemented and/or modified by the terms of that Floating Rate Conversion Supplement and/or Floating Rate Conversion Notice.

10B08. Any Contract entered into pursuant to Clearing Rule 10B06 above (if applicable) shall be deemed to satisfy any registration requirements under the Clearing Rules, including but not limited to being deemed to be registered in accordance with Clearing Rule 806.

10B09. Upon the publication of a Floating Rate Conversion Supplement, there shall arise a standing instruction to OTC Clear for itself and on behalf of the Clearing Members authorising OTC Clear to take the steps and make the changes, including without limitation the amendments to the Contracts set-out in that Floating Rate Conversion Supplement, and, if applicable under the terms of that Floating Rate Conversion Supplement, to enter into and register certain Contracts on behalf of certain Clearing Members and/or Clients pursuant to Clearing Rule 10B06 above and the Floating Rate Conversion Supplement.

10B10. The Floating Rate Conversion Supplement may give rise to one or more payment obligations being owed by OTC Clear to a Clearing Member or by a Clearing Member to OTC Clear (each, a “**Conversion Payment**”). The calculation of each Conversion Payment and the due date for payment of such Conversion Payment in each case shall be on the terms set out in the relevant Floating Rate Conversion Supplement. Each Clearing Member and each Client shall be bound by the terms of the Floating Rate Conversion Supplement, including, without limitation, each Contract registered or recorded to the relevant Position Account, pursuant to each Floating Rate Conversion Supplement.

10B11. Each Clearing Member agrees and acknowledges that (i) the terms of each Floating Rate Conversion Supplement shall be binding as between it and each of its Clients, (ii) the amendments made to each Contract in a Client Position Account made pursuant to each Floating Rate Conversion Supplement shall result in an identical amendment to the back-to-back rights and obligations between the Clearing Member and the relevant Client on whose behalf the account or “Position Account” referred to above is held, (iii) any new Contract registered in a Client Position Account pursuant to the Floating Rate Conversion Supplement shall be replicated by back-to-back rights and obligations between the Clearing Member and the relevant Client on whose behalf the account or “Position Account” referred to above is held, and (iv) the terms of each Floating Rate Conversion Supplement shall be mandatory for the purposes of the Client Clearing Agreements between it and each of its Clients.

10B12. For the purposes of this Chapter 10B:

“**Affected Derivatives Contracts**” means Contracts relating to Affected Derivatives to which the relevant Floating Rate Conversion shall apply.

“**Affected Derivatives**” means the types of Standard Rates Derivatives and Standard Cross-currency Rates Derivatives which are specified to be in-scope for the Floating Rate Conversion in the relevant Floating Rate Conversion Notice.

“**Conversion Payment**” has the meaning given to it in Clearing Rule 10B10.

“**Floating Rate Conversion Date**” means the date as identified in the Floating Rate Conversion Notice on which the Floating Rate Conversion shall take effect.

“**Existing Floating Rate Option**” shall have the meaning specified as such in the Floating Rate Conversion Notice.

“**New Floating Rate Option**” shall have the meaning specified as such in the Floating Rate Conversion Notice.

“**Floating Rate Conversion Notice**” means a Clearing Notice delivered by OTC Clear to its Clearing Members setting out the details of the Floating Rate Conversion.

“**Floating Rate Conversion Supplement**” means the supplement identified by OTC Clear in the Floating Rate Conversion Notice as being applicable to the Floating Rate Conversion, and as may be supplemented, modified, amended, replaced or withdrawn by OTC Clear from time to time in accordance with the terms of such supplement.

Supplement II

SOFR FLOATING RATE CONVERSION SUPPLEMENT

1 Introduction

- 1.1** This Supplement effects a “Floating Rate Conversion” (as defined in Clearing Rule 10B) so as to amend the reference rate in respect of the floating rate and calculation of the floating amounts under In-Scope USD-LIBOR Contracts (as defined below) from the London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York, as administrator (or a successor administrator) (“SOFR”) (the “SOFR Floating Rate Conversion”) (the “SOFR Floating Rate Conversion Supplement”). This Supplement constitutes a “Floating Rate Conversion Supplement” as defined in Clearing Rule 10B12, and supplements and forms part of Chapter 10B of the Clearing Rules and the In-Scope USD-LIBOR Contracts constitutes the “Affected Derivative Contracts” as defined in Clearing Rule 10B12.
- 1.2** The terms of this Supplement shall apply to all In-Scope USD-LIBOR Contracts registered with OTC Clear as of the end of the OTC Clear Business Day on the Conversion Date except as expressly set out herein. For the avoidance of doubt, (i) no other Contract shall be subject to, or affected by, the terms of this Supplement and all Contracts shall remain in full force and effect, and (ii) except as expressly set out herein, the Contract Terms shall not be amended, supplemented or modified by the terms of this Supplement.
- 1.3** Capitalised terms used but not otherwise defined herein have the meaning given to them in the Clearing Rules.
- 1.4** In exercising its powers under Chapter 10B of the Clearing Rules in connection with the change of reference rate from LIBOR to SOFR, OTC Clear sets out in this Supplement the method by which it will, for each Clearing Member’s Position Account (including any Client Position Account(s), if applicable), calculate the Cash Compensation Amount (which shall be a “Conversion Payment” as defined in Clearing Rule 10B10) payable by OTC Clear to the Clearing Members and/or by Clearing Members to OTC Clear in relation to each such account and the date on which such amount shall be paid. The payment of Cash Compensation Amounts is intended to address the impact on valuation when switching the reference rate from LIBOR to SOFR.
- 1.5** The terms of this Supplement relating to operational or procedural matters may be supplemented, modified, amended, replaced or withdrawn from time to time by OTC Clear in its sole discretion through a Clearing Notice or such other method as OTC Clear shall determine is appropriate.

2 Amendments to In-Scope USD-LIBOR Contracts

- 2.1** Pursuant to Clearing Rule 10B, with effect from, and including, the Conversion Date each In-Scope USD-LIBOR Contract shall be amended in accordance with this Paragraph 2.

Floating Rate Option:

- 2.2** From and including the first Reset Date falling two London Business Days after the Index Cessation Effective Date (USD-LIBOR) in relation to USD-LIBOR, and notwithstanding anything to the contrary in the Contract Terms in respect of each In-Scope USD-LIBOR Contracts, including for the avoidance of doubt, any fallbacks in the ISDA Definitions insofar as they relate to USD-LIBOR, any references to USD-LIBOR in the Contract Terms in respect of each In-Scope USD-LIBOR Contracts shall be deemed to be replaced for all purposes with USD-SOFR-OIS Compound.

Bloomberg Spread:

- 2.3** From and including the first Reset Date falling two London Business Days after the Index Cessation Effective Date (USD-LIBOR) in relation to USD-LIBOR, the “Floating Rate” which references USD-LIBOR under each In-Scope USD-LIBOR Contract will, in addition to any “Spread” (as defined in the ISDA Definitions) already existing under the terms of the In-Scope USD-LIBOR Contract, include the Bloomberg Spread applicable to USD-LIBOR.

Payment Date Delay:

- 2.4** In respect of any In-Scope USD-LIBOR Contract (except in relation to any Floating Amount which is calculated using the “Floating Rate” which references USD-LIBOR which has a Reset Date which falls prior to two London Business Days after the Index Cessation Effective Date (USD-LIBOR)), “Delayed Payment” (as defined in the ISDA Definitions) shall be “Applicable” in relation to that In-Scope USD-LIBOR Contract and the number of days specified for such purposes shall be two (2) Business Days. OTC Clear and the Clearing Members acknowledge and agree that pursuant to the ISDA Definitions, such election means that each Payment Date (as defined in the ISDA Definitions) in respect of any Fixed Amount and Floating Amount shall fall two (2) Business Days after the Period End Date or the Termination Date (each as defined in the ISDA Definitions).

No Observation Period Shift:

- 2.5** For the avoidance of doubt, OTC Clear and the Clearing Members acknowledge and agree that as a result of the amendment made in Paragraph 2.1 above, each “Floating Rate” which references USD-LIBOR under each In-Scope USD-LIBOR Contract shall be calculated over the relevant “Calculation Period” without any shift, adjustment or “observation shift” and all of the provisions relating thereto in the ISDA Definitions and the IBOR Fallback Rate Adjustments Rule Book published by Bloomberg Index Services Limited shall not apply to the calculation of the “Floating Rate” under each In-Scope USD-LIBOR Contract.

Consequential Amendments:

- 2.6** OTC Clear shall make any consequential amendments to the terms of each In-Scope USD-LIBOR Contract as it deems necessary in connection with, and to give effect to, the amendments in this Paragraph 2. For the avoidance of doubt, any such amendments to each In-Scope USD-LIBOR Contract shall not result in any registration of new Contracts.

- 2.7 Unless expressly referenced herein, all other terms of each In-Scope USD-LIBOR Contract shall remain in full force and effect and shall continue to apply, including, but not limited to, the “Fixed Rate” (except for the application of “Delayed Payment” in respect of the Fixed Amounts as described in paragraph 2.4), “Day Count Fraction” “Business Days” and any “Spread” (each as defined in the ISDA Definitions).

3 Operational Bookings

- 3.1 In order to facilitate and/or reflect the legal amendments made to each In-Scope USD-LIBOR Contract pursuant to this Supplement in the Rates and FX Clearing System, OTC Clear shall record certain bookings in the Rates and FX Clearing System (each, an “Operational Booking”) in the manner described in this Paragraph 3. Any bookings referred to in this Paragraph 3 are solely to facilitate and/or reflect the legal amendments made to each In-Scope USD-LIBOR Contract pursuant to this Supplement and OTC Clear and each Clearing Member agree and acknowledge that they shall not result in the registration of any new Contracts and are not Contracts for the purposes of the Clearing Rules and are for operational purposes only.

Converted Swap Operational Booking

- 3.2 On the Conversion Date, OTC Clear shall, in relation to each In-Scope USD-LIBOR Contract, record an Operational Booking (each a “Converted Swap Operational Booking”) that is on the same terms as the In-Scope USD-LIBOR Contract to which it relates (and for the avoidance of doubt, each Converted Swap Operational Booking shall have the same effective date as each In-Scope USD-LIBOR Contract to which it relates) except that, from the Conversion Date, any “Floating Amounts” and “Fixed Amounts” reflected in each Converted Swap Operational Booking shall be calculated and paid after giving effect to the amendments made pursuant to Paragraph 2 (as applicable) of this Supplement.
- 3.3 On the Conversion Date, OTC Clear shall, in relation to each In-Scope USD-LIBOR Contract, terminate the operational booking relating to that In-Scope USD-LIBOR Contract that was recorded in the Rates and FX Clearing System immediately prior to the Conversion Date.

Operational Overlay Bookings

- 3.4 In addition to the Converted Swap Operational Bookings referred to in Paragraph 3.2 above, with respect to each Conversion Period LIBOR Contract, OTC Clear may, in its sole discretion, elect to record either (i) a pair of Operational Outright Swap Bookings (as defined below) or (ii) a single Operational Basis Swap (as defined below) (as applicable) at the Rates and FX Clearing System, which are intended to preserve the LIBOR coupons in respect of the Conversion Period LIBOR Contract until USD-LIBOR ceases to be effective. If OTC Clear has elected to record a pair of Operational Outright Swap Bookings in respect of the Conversion Period LIBOR Contract, then paragraphs 3.5 to 3.6 below shall apply. If OTC Clear has elected to record a single Operational Basis Swap in respect of the Conversion Period LIBOR Contract, then paragraph 3.7 to 3.8 below shall apply.

Operational Outright Swap Bookings

3.5 If OTC Clear has elected to record a pair of Operational Outright Swap Bookings with respect to each Conversion Period LIBOR Contract in relation to which the Clearing Member would receive a “Floating Amount” calculated using USD-LIBOR under the Conversion Period LIBOR Contract (such amount, the “LIBOR Amount”), on the Conversion Date OTC Clear shall record the following Operational Bookings (each an “Operational Outright Swap Booking”) in the Rates and FX Clearing System:

- (a) in relation to a Conversion Period LIBOR Contract:
 - (i) an Operational Outright Swap Booking reflecting (X) a fixed amount that would be payable by the Clearing Member, such amount determined by OTC Clear in its sole and absolute discretion (which, for the avoidance of doubt, may be zero) (the “**Overlay Fixed Amount**”) and (Y) an amount that would be payable to the Clearing Member equal to the LIBOR Amount it would be entitled to receive under the Conversion Period LIBOR Contract if it was not amended pursuant to Paragraph 2 above; and
 - (ii) an Operational Outright Swap Booking reflecting (X) the Overlay Fixed Amount that would be payable to the Clearing Member and (Y) a “Floating Amount” that would be payable by the Clearing Member equal to the “Floating Amount” the Clearing Member would be entitled to receive as reflected under the related Converted Swap Operational Booking.

3.6 If OTC Clear has elected to record a pair of Operational Outright Swap Bookings with respect to each Conversion Period LIBOR Contract in relation to which the Clearing Member would pay the LIBOR Amount, on the Conversion Date in relation to USD-LIBOR OTC Clear shall record the following Operational Outright Swap Bookings in the Rates and FX Clearing System:

- (a) in relation to a Conversion Period LIBOR Contract:
 - (i) an Operational Outright Swap Booking reflecting (X) the Overlay Fixed Amount that would be payable to the Clearing Member and (Y) an amount that would be payable by the Clearing Member equal to the LIBOR Amount it would be obliged to pay under the Conversion Period LIBOR Contract if it was not amended pursuant to Paragraph 2 above; and
 - (ii) an Operational Outright Swap Booking reflecting (X) the Overlay Fixed Amount that would be payable by the Clearing Member and (Y) a “Floating Amount” that would be payable to the Clearing Member equal to the “Floating Amount” that would be payable by the Clearing Member as reflected under the related Converted Swap Operational Booking.

Operational Basis Swap Bookings

3.7 If OTC Clear has elected to record a single Operational Basis Swap Booking with respect to each Conversion Period LIBOR Contract in relation to which the Clearing Member would receive a LIBOR Amount, on the Conversion Date OTC Clear shall record the following Operational Booking (each an “Operational Basis Swap Booking”) in the Rates and FX Clearing System:

- (a) in relation to a Conversion Period LIBOR Contract, an Operational Basis Swap Booking reflecting (X) a “Floating Amount” that would be payable by the Clearing Member equal to the “Floating Amount” the Clearing Member would be entitled to receive as reflected under the related Converted Swap Operational Booking and (Y) an amount that would be payable to the Clearing Member equal to the LIBOR Amount it would be entitled to receive under the Conversion Period LIBOR Contract if it was not amended pursuant to Paragraph 2 above.

3.8 If OTC Clear has elected to record a single Operational Basis Swap Booking with respect to each Conversion Period LIBOR Contract in relation to which the Clearing Member would pay the LIBOR Amount, on the Conversion Date in relation to USD-LIBOR OTC Clear shall record the following Operational Basis Swap Booking in the Rates and FX Clearing System:

- (a) in relation to a Conversion Period LIBOR Contract, an Operational Basis Swap Booking reflecting (X) a “Floating Amount” that would be payable to the Clearing Member equal to the “Floating Amount” that would be payable by the Clearing Member as reflected under the related Converted Swap Operational Booking and (Y) an amount that would be payable by the Clearing Member equal to the LIBOR Amount it would be obliged to pay under the Conversion Period LIBOR Contract if it was not amended pursuant to Paragraph 2 above.

3.9 The Operational Outright Swap Bookings or the Operational Basis Swap Booking in relation to a Conversion Period LIBOR Contract will terminate as of the time when they are no longer required for OTC Clear’s operational purposes.

4 Subsequent actions with respect to Operational Bookings

If OTC Clear receives an instruction from a Clearing Member to take a permitted action with respect to some but not all of the rights and obligations under any Amended USD-LIBOR Contract (including, but not limited to, compression, if applicable) and such rights and obligations have been operationally reflected in one or more of the Operational Bookings booked in accordance with Paragraph 3 and not terminated, then OTC Clear shall deem this to be an instruction to take the following steps contingent on the effectiveness or occurrence of the permitted action:

- (a) pursuant to its powers under Clearing Rule 10B, register one or more new Contract(s) in the name of that Clearing Member with the same terms as such Operational Booking(s); and

- (b) amend the Amended USD-LIBOR Contract to reflect the rights and obligations remaining after giving effect to the instruction referred to above.

5 Determination of the Cash Compensation Amount following the conversion

5.1 On the Conversion Date in relation to an In-Scope USD-LIBOR Contract, OTC Clear shall calculate the Cash Compensation Amount in respect of each Position Account as of the Conversion Date as follows:

- (a) OTC Clear shall calculate the aggregate Pre-Conversion NPV and the aggregate Post-Conversion NPV in relation to all In-Scope USD-LIBOR Contracts registered in each Position Account as of the end of the OTC Clear Business Day on the Conversion Date;
- (b) if the aggregate Post-Conversion NPV in relation to all such In-Scope USD-LIBOR Contracts exceeds the aggregate Pre-Conversion NPV in relation to all such In-Scope USD-LIBOR Contracts, then the Cash Compensation Amount in relation to all such In-Scope USD-LIBOR Contracts shall be equal to the absolute value of the excess, and shall be payable in USD by the Clearing Member in whose name such Position Account is held to OTC Clear; and
- (c) if the aggregate Post-Conversion NPV in relation to all such In-Scope USD-LIBOR Contracts is less than the aggregate Pre-Conversion NPV in relation to all such In-Scope USD-LIBOR Contracts, then the Cash Compensation Amount in relation to such In-Scope USD-LIBOR Contracts shall be equal to the absolute value of the excess, and shall be payable in USD by OTC Clear to the Clearing Member in whose name such Position Account is held.

5.2 In the case of In-Scope USD-LIBOR Contracts that are Standard Cross-currency Rates Derivatives Contracts, for the purposes of determining a Cash Compensation Amount, the value of the constant future cash flows not denominated in USD (if any) shall be first converted into USD by applying the relevant rate of exchange as determined by OTC Clear in accordance with its usual procedures and the Cash Compensation Amount in relation to such Contracts shall be payable in USD.

5.3 With respect to the Cash Compensation Amounts determined under this Clause 5:

- (a) each Cash Compensation Amount shall be registered and recorded/booked in the relevant Position Account by OTC Clear on the Cash Compensation Record Date as an amount that is payable by OTC Clear or the Clearing Member, as applicable; and
- (b) each Cash Compensation Amount shall be payable by OTC Clear or the Clearing Member, as applicable, on the Cash Compensation Amount Payment Date.

5.4 Each Clearing Member agrees (and in the case of Paragraph 5.4(d) below, each Clearing Member and OTC Clear agrees):

- (a) to use reasonable endeavours to provide each of its Clients with (i) information on the change to the In-Scope USD-LIBOR Contracts pursuant to the terms of Clearing

Rule 10B and this Supplement, (ii) information on the Cash Compensation Amount which may be allocated to that Client's Client Position Account pursuant to the terms of this Supplement and (iii) other information (indicative or otherwise) in relation to each Client's Client Position Account. Such information shall be set out in the Floating Rate Conversion Notice or other materials from OTC Clear in connection with this Supplement (or any applicable Clearing Notice expressly marked for distribution to Clients);

- (b) that it, and each Client, shall be bound by the payment obligations under this Supplement in relation to each Cash Compensation Amount (as determined by OTC Clear pursuant to this Supplement);
- (c) to perform all obligations and exercise all rights under or pursuant to this Supplement in accordance with Applicable Laws; and
- (d) that each Cash Compensation Amount is being registered in the relevant account in connection with the matters specified in this Supplement and the payment obligations thereunder are for the sole purpose of addressing the value impact of certain of the changes to the In-Scope USD-LIBOR Contracts pursuant to this Supplement.

6 Determinations Binding

Subject to Paragraph 9 of this Supplement, all determinations and calculations made by OTC Clear pursuant to this Supplement shall be final, conclusive and binding, and may not be called into question by any person in any circumstances.

7 Records

OTC Clear shall update its books and records to reflect the Cash Compensation Amounts and the obligation to pay, or the right to receive, any such amounts may be reflected in the books and records of OTC Clear in such manner as OTC Clear determines is necessary to meet its operational requirements. Where OTC Clear determines appropriate, OTC Clear will update its books and records or governance and booking procedures to provide that all Operational Bookings booked pursuant to this Supplement do not affect the rights and obligations of Clearing Members regardless of anything to the contrary in any reports issued by OTC Clear.

8 Cessation of New Transactions

Cessation of LIBOR Transactions

- 8.1** Notwithstanding anything to the contrary in the Contract Terms and Eligibility Requirements, from and including the OTC Clear Business Day following the Conversion Date in relation to an In-Scope USD-LIBOR Contract, OTC Clear shall not accept for clearing or registration any In-Scope USD-LIBOR Contract.

Cessation of USD Single-Currency Basis Swaps and THB Non-deliverable Interest Rate Swaps

8.2 Notwithstanding anything to the contrary in the Contract Terms and Eligibility Requirements, from and including the date as set out in a circular delivered by OTC Clear to the Clearing Members, OTC Clear shall not accept for clearing or registration any In-Scope USD Single-Currency Basis Swaps and/or In-Scope THB Non-deliverable Interest Rate Swaps. For the avoidance of doubt, the cessation by OTC Clear to accept for clearing or registration any In-Scope USD Single-Currency Basis Swaps shall not affect the validity of any In-Scope USD Single Currency Basis Swaps recorded as Operational Basis Swap Bookings, and any such Operational Basis Swap Bookings shall remain valid until their respective termination dates.

9 Miscellaneous

9.1 The obligations of OTC Clear to each Clearing Member shall be to perform its obligations as principal to such Clearing Member in accordance with the Clearing Rules, but subject to the restrictions on OTC Clear's obligations and liabilities contained in the Clearing Rules and Paragraph 10 below.

9.2 The terms of this Supplement are without prejudice to OTC Clear's rights under the Clearing Rules and the Clearing Procedures to change the terms of any open Contract from time to time and such terms shall not be relevant or binding on OTC Clear in respect of any such changes.

9.3 The performance by OTC Clear of its obligations hereunder shall always be subject to the provisions of the Clearing Rules. The benefit of the performance by OTC Clear of its obligations under this Supplement is conferred upon Clearing Members only, as principal, and a person who is not a party to the Clearing Rules has no right under Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) (as amended from time to time) to enforce any term of this Supplement.

9.4 Paragraph 3 of this Supplement is provided for Clearing Members operational convenience only and OTC Clear is under no obligation to update this Supplement in relation to any changes in its operational or booking processes generally or in relation to the matters specified herein.

10 Limitation of Liability

10.1 Without prejudice to the generality of Clearing Rule 203, each Clearing Member agrees:

- (a) that OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives shall not be liable to any Clearing Member or to any other Person in respect of anything done or omitted to be done by it in good faith in connection with this Supplement, including but not limited to any civil liability, whether arising in contract, tort, defamation, equity or otherwise for any Damage suffered or incurred directly or indirectly by a Clearing Member or any other Person (including any Client) as a result of or in connection with OTC Clear; and

- (b) to waive any claim against OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives;

arising or that may arise in connection with:

- (1) any determination, calculation, notification, registration, publication, exercise of discretion, or decision, taken or not taken by OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives in connection with this Supplement;
- (2) the determination or publication of any price, curve, data, quote or other information arising from, or in connection with, this Supplement; or
- (3) any of the Operational Bookings made pursuant to Paragraph 3 of this Supplement,

except in the case of fraud or wilful misconduct on the part of OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives.

10.2 Without prejudice to the generality of Clearing Rule 203 and Paragraph 10.1 above, each Clearing Member further agrees:

- (a) that OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives shall not be liable to any Clearing Member or any other person (including, without limitation, any Client) in tort (including, without limitation, negligence), trust, as a fiduciary or under any other non-contractual cause of action, or under any implied contractual term, and whether in respect of any damages, loss or gain, cost or expense (whether direct, indirect, general, special, consequential, punitive or otherwise); and
- (b) to waive any non-contractual claim or claim under any implied contractual term against OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives,

arising or that may arise in connection with OTC Clear's performance of its contractual duties or obligations under this Supplement, except in the case of fraud or wilful misconduct on the part of OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives.

10.3 Each Clearing Member agrees that OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives do not:

- (a) owe any duty of care to any person in connection with the performance of OTC Clear's duties or obligations or exercise of its rights under this Supplement, save for the express contractual duties set forth in this Supplement;

- (b) have any obligation to research, investigate, supplement, or verify the veracity of, any price, data, quote or other information received from a Clearing Member in connection with this Supplement;
- (c) act as a fiduciary for, or as an advisor to, any Clearing Member or Client in connection with this Supplement or any Contract registered as a result of the matters specified in this Supplement;
- (d) have any requirement to consult with, or individually notify (other than as expressly set out in this Supplement), a Clearing Member or Client in connection with making its determinations, exercising its discretions or performing its duties or obligations or exercising its rights, each under this Supplement; or
- (e) make any representation, express or implied, in relation to this Supplement, and each Clearing Member acknowledges that it has not relied on any representations made by OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives in relation to this Supplement.

10.4 For the avoidance of doubt, OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives shall not be liable for any obligations of, or to any person who is not, a Clearing Member.

11 Definitions

For the purposes of this Supplement:

“**Amended USD-LIBOR Contract**” means each In-Scope USD-LIBOR Contract after giving effect to the amendments made pursuant to Paragraph 2.

“**Bloomberg Spread**” means, in relation to USD-LIBOR and an In-Scope USD-LIBOR Contract, the spread relating to USD-LIBOR for a period of the Designated Maturity (as defined in the ISDA Definitions) of that In-Scope LIBOR Contract provided by Bloomberg Index Services Limited (or a successor provider as approved and/or appointed by ISDA from time to time).

“**Cash Compensation Amount**” means, in relation to all In-Scope USD-LIBOR Contracts, the amount determined in accordance with Paragraph 5.

“**Cash Compensation Amount Payment Date**” means the date falling 2 Business Days after the Conversion Date, being the day on which the Cash Compensation Amount shall be payable by OTC Clear to the Clearing Member, or by the Clearing Member to OTC Clear in accordance with this Supplement.

“**Cash Compensation Record Date**” means the date falling 1 Business Day after the Conversion Date.

“**Conversion Date**” means the Floating Rate Conversion Date specified as such by OTC Clear in the Floating Rate Conversion Notice (or such other later date as may be notified to the Clearing

Member by OTC Clear) being a date which is an OTC Clear Business Day and the date on which the SOFR Floating Rate Conversion shall take place.

“**Conversion Period LIBOR Contract**” means an In-Scope USD-LIBOR Contract which has a “Reset Date” (as defined in the ISDA Definitions) which falls prior to two London Business Days after the “Index Cessation Effective Date” (as defined in the ISDA Definitions) in relation to USD-LIBOR and relates to a Period End Date (as defined in the ISDA Definitions) that falls after the Conversion Date in relation to USD-LIBOR.

“**Converted Swap Operational Booking**” has the meaning given to the term in paragraph 3.2 of this Supplement.

“**In-Scope USD-LIBOR Contract**” means:

- (a) each Standard Rates Derivatives Contract that is recorded as a “single currency interest rate swap” in the books and records of the OTC Clear and references USD-LIBOR as the Floating Rate Option;
- (b) each Standard Cross-Currency Rates Derivatives Contract that is recorded as a “cross-currency interest rate swaps” in the books and records of the OTC Clear and references USD-LIBOR as the Floating Rate Option;
- (c) each Standard Cross-Currency Rates Derivatives Contract that is recorded as a “cross-currency basis swap” in the books and records of the OTC Clear and references USD-LIBOR as the Floating Rate Option,

each having a Reset Date in relation to USD-LIBOR which falls on two or more London Business Days after the Index Cessation Effective Date (USD-LIBOR).

“**In-Scope THB Non-deliverable Interest Rate Swap**” means each Original Non Deliverable Rates Derivatives Transactions that is recorded as a “non-deliverable interest rate swap” in the books and records of OTC Clear and references THB-THBFX as the Floating Rate Option, having a Termination Date after the Index Cessation Effective Date (THB NDIRS).

“**In-Scope USD Single-Currency Basis Swap**” means each Original Standard Rates Derivatives Transactions that is recorded as a “single currency basis swap” in the books and records of OTC Clear and references USD-LIBOR as the Floating Rate Option, having a Termination Date after the Index Cessation Effective Date (USD-LIBOR).

“**Index Cessation Effective Date (THB NDIRS)**” means the first London Business Day on or after 1 July 2023.

“**Index Cessation Effective Date (USD-LIBOR)**” means the first London Business Day on or after 1 July 2023.

“**LIBOR**” has the meaning given to the term in paragraph 1.1 of this Supplement.

“**LIBOR Amount**” has the meaning given to the term in paragraph 3.5 of this Supplement.

“**London Business Days**” has the meaning given to it in the ISDA Definitions.

“**Operational Basis Swap Booking**” has the meaning given to the term in paragraph 3.7 of this Supplement.

“**Operational Booking**” has the meaning given to the term in paragraph 3.1 of this Supplement.

“**Overlay Fixed Amount**” has the meaning given to the term in paragraph 3.5 of this Supplement.

“**Operational Outright Swap Booking**” has the meaning given to the term in paragraph 3.5 of this Supplement.

“**Post-Conversion NPV**” means, in relation to an In-Scope USD-LIBOR Contract, the net present value, determined by OTC Clear as of the Conversion Date, of all future cash flows under that In-Scope USD-LIBOR Contract on the basis that such In-Scope USD-LIBOR Contract is an Amended USD-LIBOR Contract.

“**Pre-Conversion NPV**” means, in relation to an In-Scope USD-LIBOR Contract, the net present value, determined by OTC Clear as of the Conversion Date, of all future cash flows under that In-Scope USD-LIBOR Contract on the basis that such In-Scope USD-LIBOR Contract is not amended pursuant to this Supplement.

“**Reset Date**” has the meaning given to it in the ISDA Definitions.

“**SOFR**” has the meaning given to the term in paragraph 1.1 of this Supplement.

“**SOFR Floating Rate Conversion**” has the meaning given to the term in paragraph 1.1 of this Supplement.

“**SOFR Floating Rate Conversion Supplement**” has the meaning given to the term in paragraph 1.1 of this Supplement.

“**USD-LIBOR**” has the meaning given to it in the ISDA Definitions.

“**USD-SOFR-OIS Compound**” has the meaning given to it in the ISDA Definitions.