

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 and Clearing Procedures of OTC Clearing Hong Kong Limited ("OTC Clear")

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Clearing Members of OTC Clear are requested to note that the Securities and Futures Commission has approved amendments to the Clearing Rules and the Clearing Procedures of OTC Clear for the purpose of implementing the initiative undertaken by China Foreign Exchange Trade System (National Interbank Funding Center)(CFETS), Interbank Market Clearing House Co., Limited (Shanghai Clearing House) and OTC Clear to enable mutual access between the Hong Kong and Mainland interest rate swap markets ("Swap Connect"), as announced by the People's Bank of China, the Hong Kong Monetary Authority and the Securities and Futures Commission on 4 July 2022 and 5 May 2023.

The amendments, as set out in Appendices 1 and 2, will come into effect on Monday, 15 May 2023.

The marked-up version of the amendments can be downloaded from the following sections of the HKEX website:

- ["Rule Update - OTC Clear Clearing Rules"](#)
- ["Rule Update - OTC Clear Clearing Procedures"](#)

Florence Leung
Head of Legal

OTC Clear Clearing Rules

PART I GENERAL PROVISIONS

Chapter 1 Definitions and Interpretation

Definitions

101. In these Clearing Rules, unless the context otherwise requires:

“Applicable CCP Laws”	means the laws and regulations applicable to OTC Clear or the Special Clearing House Participant from time to time, including any laws, administrative regulations and judicial interpretations, departmental rules and other regulatory documents enacted by relevant government agencies or regulatory bodies of the PRC and Hong Kong, as well as the rules of the exchange institutions and clearing institutions. The aforesaid government agencies or regulatory bodies include but are not limited to the PBOC, the State Administration of Foreign Exchange, the SFC and the HKMA;
“Auction Payment”	means (1) with respect to a Successful Bidder that is a Clearing Member, the amount a Successful Bidder must pay to OTC Clear for the registration of the relevant Auction Contract to such Successful Bidder, which shall be an amount equal to the absolute value of the difference between (i) the value attributed to such Auction Contract by the Bid of the Successful Bidder and (ii) the net present value in respect of such Auction Contract as determined by OTC Clear pursuant to Chapter 5 of the Clearing Procedures as of the date of the relevant Auction and (2) with respect to a Successful Bidder that is a PRC Bidder, the amount the Special Clearing House Participant must pay to OTC Clear for the termination of the relevant Inter-CCP Rates Derivatives Contract relating to such Auction Position that are notional trades or the registration of the relevant Inter-CCP Rates Derivatives Contract relating to such Auction Position that are Hedging transactions, which shall be an amount equal to the absolute value of the difference between (i) the value attributed to such Auction Position by the Bid of the Successful Bidder that is a PRC Bidder and (ii) the net present value in respect of such Auction Position as determined by OTC Clear pursuant to Chapter 5 of the Clearing Procedures as of the date of the relevant Auction;
“Auction Receivable”	means (1) with respect to a Successful Bidder that is a Clearing Member, the amount a Successful Bidder must receive from OTC Clear in order to complete the registration of the relevant Auction Contract to such Successful Bidder, which shall be an amount equal to the absolute value of the difference between (i) the value attributed to such Auction Contract by the Bid of the Successful Bidder and (ii) the net present value in respect of such Auction Contract as

	determined by OTC Clear pursuant to Chapter 5 of the Clearing Procedures as of the date of the relevant Auction and (2) with respect to a Successful Bidder that is a PRC Bidder, the amount the Special Clearing House Participant must receive from OTC Clear for the termination of the relevant Inter-CCP Rates Derivatives Contract relating to such Auction Position that are notional trades or the registration of the relevant Inter-CCP Rates Derivatives Contract relating to such Auction Position that are Hedging transactions, which shall be an amount equal to the absolute value of the difference between (i) the value attributed to such Auction Position by the Bid of the Successful Bidder that is a PRC Bidder and (ii) the net present value in respect of such Auction Position as determined by OTC Clear pursuant to Chapter 5 of the Clearing Procedures as of the date of the relevant Auction;
"Bidder"	means each Non-Defaulting Clearing Member who is required to, and (where the context requires) each PRC Bidder who volunteers to, bid for an Auction Portfolio pursuant to these Clearing Rules;
"CFETS"	means the China Foreign Exchange Trade System;
"Clearing Documentation"	means, (1) with respect to a Clearing Member only, the Membership Agreement and any Deed of Charge; (2) with respect to the Special Clearing House Participant only, the Inter-CCP SHCH Charge Agreement and (3) with respect to a Clearing Member and the Special Clearing House Participant, these Clearing Rules (including the Clearing Procedures and all exhibits, attachments, annexes, schedules and appendices thereto, and any document incorporated by reference therein, if any) and the Clearing Notices, each as applicable to it, in each case, as each such document is amended from time to time;
"Clearing Link Agreement"	means the agreement dated 15 May 2023 between OTC Clear and the Special Clearing House Participant, as amended and/or supplemented from time to time;
"Clearing Link Framework Agreement"	means the agreement dated July 4, 2022 between CFETS, OTC Clear and the Special Clearing House Participant, as amended and/or supplemented from time to time;
"Clearing Link Services"	means the clearing link established and maintained under the Clearing Link Agreement between OTC Clear and the Special Clearing House Participant;
"Clearing Member"	means, unless expressly provided otherwise, any legal entity admitted as a member for the clearing of FX Derivatives and/or Rates Derivatives in accordance with Clearing Rule 302 and in respect of which a Membership Termination Date has not occurred, and "Membership" shall be construed accordingly;

“Collateral”	means money, securities and other property as may, from time to time, be so designated by OTC Clear as permissible for Margin, Participating Margin, Rates and FX Contribution or Inter-CCP Margin Amount in respect of the Rates and FX Clearing Services, in each case in such form as may be required by OTC Clear;
“Collateral Account”	has the meaning given to it in Clearing Rule 903, which includes the House Collateral Account maintained with respect to the Special Clearing House Participant in accordance with Clearing Rule 21F03;
“Collateral Management Agreement”	means the Swap Connect Collateral Management Agreement dated 15 May 2023 between OTC Clear, the Special Clearing House Participant and the respective custodian banks in Hong Kong and the PRC in relation to the Hong Kong Collateral Account and the PRC Collateral Account;
“Contract”	means a contract between OTC Clear and a Clearing Member or the Special Clearing House Participant arising in accordance with these Clearing Rules, the terms and conditions of which are the relevant Contract Terms;
“Contract Terms”	means any of the Standard Rates Derivatives Contract Terms, Standard Cross-currency Rates Derivatives Contract Terms, Non Deliverable Rates Derivatives Contract Terms, Non Deliverable FX Derivatives Contract Terms, Deliverable FX Forward Contract Terms, Deliverable FX Swap Contract Terms, Standard Northbound Rates Derivatives Contract Terms and Inter-CCP Rates Derivatives Contract Terms, as applicable;
“Contractual Currency”	means: <ol style="list-style-type: none"> (1) in respect of a Standard Rates Derivatives Contract or an Original Standard Rates Derivatives Transaction, the Currency in which the notional amount of such Standard Rates Derivatives Contract or Original Standard Rates Derivatives Transaction, as the case may be, is denominated; (2) in respect of a Standard Cross-currency Rates Derivatives Contract or an Original Standard Cross-currency Rates Derivatives Transaction, the Currencies in which the notional amounts of such Standard Cross-currency Rates Derivatives Contract or Original Standard Cross-currency Rates Derivatives Transaction, as the case may be, are denominated; (3) in respect of a Non Deliverable Rates Derivatives Contract or an Original Non Deliverable Rates Derivatives Transaction, the “Settlement Currency” of such Non Deliverable Rates Derivatives Contract or Original Non Deliverable Rates Derivatives Transaction, as the case may be; (4) in respect of a Non Deliverable FX Derivatives Contract or an Original Non Deliverable FX Derivatives Transaction, the

	<p>“Settlement Currency” of such Non Deliverable FX Derivatives Contract or Original Non Deliverable FX Derivatives Transaction, as the case may be;</p> <p>(5) in respect of a Deliverable FX Forward Contract or an Original Deliverable FX Forward Transaction, the Currencies in which the notional amounts of such Deliverable FX Forward Contract or Original Deliverable FX Forward Transaction, as the case may be, are denominated;</p> <p>(6) in respect of a Deliverable FX Swap Contract or an Original Deliverable FX Swap Transaction, the Currencies in which the notional amounts of such Deliverable FX Swap Contract or Original Deliverable FX Swap Transaction, as the case may be, are denominated; and</p> <p>(7) in respect of a Standard Northbound Rates Derivatives Contract, an Inter-CCP Rates Derivatives Contract or an Original Standard Northbound Rates Derivatives Transaction, the Currencies in which the notional amounts of such Standard Northbound Rates Derivatives Contract or Original Northbound Standard Rates Derivatives Transaction, as the case may be, are denominated,</p> <p>where “Settlement Currency” as used in paragraphs (3) and (4) above has the meaning given to it in the FX Definitions;</p>
“Default Management Process”	has the meaning given to it in Clearing Rule 1601, which shall include a Default Management Process (SHCH);
“Default Management Process (SHCH)”	has the meaning given to it in Clearing Rule 21L01;
“Defaulting Special Clearing House Participant”	means the Special Clearing House Participant in respect of which a DMP Event has occurred;
“DMP Event”	means, with respect to a Clearing Member, each of the events described in Clearing Rule 1601 and with respect to the Special Clearing House Participant, the event described in Clearing Rule 21L01;
“DMP Information”	means, with respect to a Default Management Process, any information provided by OTC Clear to a Receiving Clearing Member, the Special Clearing House Participant or its clearing participants relating to such Default Management Process;

“Early Termination Date”	means, (i) in respect of a Contract registered in the name of a Clearing Member, the date determined as an Early Termination Date for such Contract in accordance with Clearing Rule 210(1), 1303, 1305, 1320(1), 1321 or 1322 as the case may be and (ii) in respect of a Contract registered in the name of the Special Clearing House Participant, the date determined as an Early Termination Date for such Contract in accordance with Clearing Rule 21E04, 21J03(3), 21J13 or 21J14 as the case may be. In each case, a Contract shall be terminated or novated with effect from the Early Termination Date relating to it;
“Economic Terms”	means the terms of a Contract derived from the Transaction Data relating to the corresponding Original Transaction or Original Northbound Transaction;
“Eligibility Requirements”	means, with respect to an Original Transaction or Original Northbound Transaction submitted for registration with OTC Clear, the eligibility requirements applicable to such transaction as set out in sections 3.4, 3.5 and 4.6 of the Clearing Procedures;
“Eligible Inter-CCP Currency”	means (i) in respect of any payment or delivery of the Collateral in respect of the Inter-CCP SHCH Margin Amount, any of Hong Kong dollars, USD and CNY (offshore) and (ii) in respect of any payment or delivery of the Collateral in respect of the Inter-CCP OTCC Margin Amount, any of Hong Kong dollars, USD and CNY. The list of Eligible Inter-CCP Currencies may be amended or updated by OTC Clear from time to time in accordance with the Clearing Link Agreement;
“EUL”	has the meaning given to it in Clearing Rule 1510(1);
“Excess Inter-CCP SHCH Margin”	means, in relation to the Special Clearing House Participant and the Hong Kong Collateral Account, the amount by which its Margin Balance (excluding any income on the Collateral credited into the Hong Kong Collateral Account) exceeds the amount of the Inter-CCP SHCH Margin Amount it is required to deliver pursuant to the Clearing Link Agreement;
“Excess Participating Margin”	means, in relation to a Clearing Member, the amount by which its Participating Margin Balance exceeds the aggregate value of the Participating Margin it is required to deliver;
“Force Majeure Event”	means (i) in respect of any Contract other than an Inter-CCP Rates Derivatives Contract, any event beyond the control of any of OTC Clear, its Affiliates, a recognized exchange controller which is the controller of OTC Clear or any of their respective Representatives, or the relevant Clearing Member which may hinder, prevent or render it impossible or impracticable for OTC Clear or the relevant Clearing Member to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Contract or to comply with other material provision of the Clearing Documentation and/or Contract Terms under such Contract, and may

	<p>include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labor disputes, mechanical breakdowns, failures in the payment systems or settlement systems, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by Clearing Members), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal and (ii) in respect of an Inter-CCP Rates Derivatives Contract, any event beyond the control of OTC Clear or the Special Clearing House Participant which may hinder, prevent or render it impossible or impracticable for OTC Clear or the Special Clearing House Participant to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of any Inter-CCP Rates Derivatives Contract or to comply with other material provision of the Clearing Link Agreement, the Clearing Link Framework Agreement, these Clearing Rules or the SHCH Clearing Rules, and may include, but shall not be limited to, acts of God or the public enemy, acts of a civil or military authority, embargoes, fires, floods, explosions, accidents, labor disputes, mechanical breakdowns, failures in the payment systems or settlement systems, computer or system failures or other failures of equipment, failures of or defects in computer or system software, unavailability of or restrictions on any communication media for whatever reason (whether or not such media is used by the Clearing Members or clearing participants of the Special Clearing House Participant), interruptions (whether in whole or in part) of power supplies or other utility or service, any law, decree, regulation or order of any government, competent authority or any court or tribunal;</p>
<p>“General Losses”</p>	<p>means any general losses incurred by OTC Clear as a result of a DMP Event which is not attributable to a specific Auction Portfolio or Contract Termination Losses, including but not limited to any costs involved in entering into Hedging instruments pursuant to Clearing Rule 1803 which do not form part of the Auction Portfolio, porting Affected Contracts registered in the name of such Defaulting Clearing Member to the Replacement Clearing Member, the losses or costs incurred by OTC Clear in liquidating any non-cash Collateral, for purchasing equivalent assets for the redelivery of the Rates and FX Contribution Balance to a Clearing Member to the extent utilised pursuant to Clearing Rules 1516 and 1516A, for currency conversion, or as a result of payment of any interest on liquidity facilities, in each case, with respect to the Default Management Process relating to such DMP Event;</p>

"Hong Kong Collateral Account"	means a bank account in the name of OTC Clear, opened with a custodian bank in Hong Kong for the purpose of depositing cash Collateral posted by the Special Clearing House Participant to satisfy the Inter-CCP SHCH Margin Amount;
"House Collateral Account"	means, in respect of a House Position Account opened in the name of a Clearing Member or the Special Clearing House Participant, an account opened in the books of OTC Clear for the purposes of recording the type(s) and amount of Collateral attributed by OTC Clear to such House Position Account in accordance with these Clearing Rules;
"House Position Account"	has the meaning given to it in Clearing Rule 902(1), which includes the House Position Account opened with respect to the Special Clearing House Participant in accordance with Clearing Rule 21F02;
"Identified Contracts"	has the meaning given to it in Clearing Rule 1918A;
"Illegality"	means (i) in respect of any Contract other than an Inter-CCP Rates Derivatives Contract, due to the adoption of, or any change in, any Applicable Laws after the date on which a Contract is registered by OTC Clear, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or Regulatory Authority with competent jurisdiction of any Applicable Laws after such date, it becomes unlawful for a Clearing Member and/or OTC Clear who are a party to the Contract to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Contract or to comply with other material provision of the Clearing Documentation and/or Contract Terms and (ii) in respect of an Inter-CCP Rates Derivatives Contract, due to the adoption of, or any change in, any Applicable CCP Laws after the date on which an Inter-CCP Rates Derivatives Contract is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any Applicable CCP Laws after such date, it becomes unlawful for OTC Clear and/or the Special Clearing House Participant to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Inter-CCP Rates Derivatives Contract or to comply with other material provision of the Clearing Link Agreement, the Clearing Link Framework Agreement, these Clearing Rules or the SHCH Clearing Rules;
"Initial Margin"	means, with respect to each Clearing Member and a Position Account, an amount required to cover OTC Clear's potential future exposure in respect of such Position Account, as calculated in accordance with section 4.2 of the Clearing Procedures;
"Inter-CCP Margin Amount"	means the higher of the margin amount (but, for the avoidance of doubt, excluding Variation Margin) as calculated by (i) OTC Clear and

	(ii) the Special Clearing House Participant respectively in accordance with the methodology set out in these Clearing Rules, Chapter 11 of the Clearing Procedures, article 7 of the Shanghai Clearing House Implementing Rules for Central Clearing Business of Mutual Connect between Mainland and Hong Kong Derivatives Market (Tentative), the SHCH Clearing Guidelines and the Clearing Link Agreement;
“Inter-CCP OTCC Margin Amount”	means 50% of the Inter-CCP Margin Amount that OTC Clear is required to provide into the PRC Collateral Account pursuant to the SHCH Clearing Rules, the SHCH Clearing Guidelines and the Clearing Link Agreement;
“Inter-CCP Rates Derivatives Contract”	means the Contract between OTC Clear and the Special Clearing House Participant created under the SHCH Clearing Rules and the SHCH Clearing Guidelines pursuant to Clearing Rules 8A07(1)(b) and 8A07(2)(b);
“Inter-CCP Rates Derivatives Contract Terms”	means the terms of an Inter-CCP Rates Derivatives Contract;
“Inter-CCP SHCH Charge Agreement”	means the charge agreement dated the date of the Clearing Link Agreement and entered into between the Special Clearing House Participant and OTC Clear, the terms of which are appended to, and form part of, Part VA of these Clearing Rules;
“Inter-CCP SHCH Margin Amount”	means 50% of the Inter-CCP Margin Amount that the Special Clearing House Participant is required to provide into the Hong Kong Collateral Account pursuant to these Clearing Rules, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement;
“Interpretation Provisions”	has the meaning given to it in Clearing Rule 2701(1);
“Junior Tranche”	has the meaning given to it in Clearing Rule 1914(5)(a);
“Limited Recourse Final CM Payable”	has the meaning given to it in Clearing Rule 1537(5);
“Local Clearing Day”	means, in respect of the Special Clearing House Participant, a Northbound Clearing Day and in respect of OTC Clear, an OTC Clear Clearing Day;
“Margin”	means the Initial Margin (including any intra-day Initial Margin), Additional Margin, Participating Margin, Inter-CCP Margin Amount and Variation Margin (including any intra-day Variation Margin) required by OTC Clear pursuant to these Clearing Rules;
“Margin Balance”	means: (a) in respect of a Clearing Member and a Position Account, the aggregate value of Collateral (as determined in accordance with Chapter 7 of the Clearing Procedures and including any

	<p>Excess Margin) provided in respect of Initial Margin, Additional Margin, Ad Hoc Intra-day Variation Margin and Routine Intra-day Variation Margin by (and not being requested to be redelivered to in accordance with Clearing Rules 1211 and 1218) such Clearing Member, in each case, as recorded in the corresponding Collateral Account, and subject to application in accordance with Chapter 13, Chapter 15 or Chapter 19 of these Clearing Rules; and</p> <p>(b) in respect of the Special Clearing House Participant and its Position Account, the aggregate value of Collateral (including any Excess Inter-CCP SHCH Margin and income on the Collateral and credited into the Hong Kong Collateral Account) provided by the Special Clearing House Participant in respect of the Inter-CCP SHCH Margin Amount (and not being requested to be redelivered to the Special Clearing House Participant in accordance with Clearing Rule 2111), as recorded in the Hong Kong Collateral Account, and subject to application in accordance with Chapter 15, Chapter 21K or Chapter 21M of these Clearing Rules;</p>
"Membership Termination Date"	<p>means:</p> <p>(1) in respect of a voluntary resignation by a Clearing Member pursuant to Clearing Rule 604, the Resignation Effective Date;</p> <p>(2) in respect of the termination of a Clearing Member's Membership by OTC Clear pursuant to Clearing Rule 1224(2), the date notified by OTC Clear to the relevant Clearing Member;</p> <p>(3) in respect of the termination of a Clearing Member's Membership by OTC Clear pursuant to Clearing Rule 1405, the date determined in accordance with Clearing Rule 1409;</p> <p>(4) in respect of any occurrence of an Automatic Early Termination Event or delivery of a Notice of Default, the date determined by OTC Clear, and notified, to the Defaulting Clearing Member pursuant to Clearing Rule 1311, which shall fall on a date subsequent to the completion of the Default Management Process; and</p> <p>(5) in respect of the designation of an Early Termination Date arising out of:</p> <p>(a) an OTC Clear Failure to Pay Event pursuant to Clearing Rule 1321;</p> <p>(b) an OTC Clear Insolvency Event pursuant to Clearing Rule 1322; or</p>

	<p>(c) such designation by OTC Clear during the OTC Clear Failure to Pay Grace Period pursuant to Clearing Rule 1320(1),</p> <p>in each case referred to in paragraphs (5)(a), (b) and (c) above, if an OTC Clear Default CM Receivable is payable by OTC Clear, the Membership Termination Date shall be the day on which such OTC Clear Default CM Receivable becomes due and payable by OTC Clear; and if an OTC Clear Default Final CM Payable is payable by the relevant Clearing Member, the Membership Termination Date shall be the day on which the relevant Clearing Member has fully discharged its obligation to pay the OTC Clear Default Final CM Payable pursuant to Clearing Rule 1324(7)(e);</p>
“Middle Tranche”	has the meaning given to it in Clearing Rule 1914(5)(b);
“NAFMII”	means the National Association of Financial Market Institutional Investors;
“NAFMII Definitions”	means the definitions and provisions contained in the NAFMII Interest Rate Derivatives Definitions (2022) published by NAFMII;
“NDCM GF Shortfall”	means, with respect to an Auction Portfolio, the amount by which (1) the remaining Auction Losses or Contract Termination Losses relating to such Auction Portfolio after utilization of the OTC Clear First Contribution in full pursuant to Clearing Rule 1914(4) exceeds (2) the product of RAP and NDCM GF (each relating to such Auction Portfolio);
“NDCM GF Surplus”	means, with respect to an Auction Portfolio, the amount by which (1) the product of RAP and NDCM GF (each relating to such Auction Portfolio) exceeds (2) the remaining Auction Losses or Contract Termination Losses relating to such Auction Portfolio after utilization of the OTC Clear First Contribution in full pursuant to Clearing Rule 1914(4);
“Northbound Clearing Day”	means, with respect to an Original Northbound Transaction, a day on which the Special Clearing House Participant is carrying out clearing operations (including any Saturday or Sunday on which the Special Clearing House Participant carries out clearing operations);
“Northbound IRS Amendment”	means an amendment to the NAFMII Definitions, the SHCH Clearing Rules, or publication of any supplement, annex or protocol by NAFMII or the Special Clearing House Participant relating to the NAFMII Definitions or SHCH Clearing Rules, or CFETS product terms;
“Original Northbound Transaction”	means a transaction in relation to a Standard Northbound Rates Derivatives Contract originally entered into between a Clearing Member and a PRC dealer, or a Client and a PRC dealer, and that is submitted for registration with OTC Clear in accordance with these Clearing Rules;

“Original Standard Northbound Rates Derivatives Transaction”	means an Original Northbound Transaction in relation to a Standard Northbound Rates Derivatives transaction;
“OTC Clear Clearing Day”	means, with respect to an Original Transaction, at any time, each day appearing on the OTC Clear Clearing Days Calendar that is in effect at such time;
“OTC Clear Default Final CM Payable”	has the meaning given to it in Clearing Rule 1324(7)(e);
“OTC Clear Failure to Pay SHCH Event”	has the meaning given to it in Clearing Rule 21J12;
“OTC Clear Insolvency Event”	<p>means if OTC Clear voluntarily commences a procedure for liquidation, administration, receivership, judicial management or a scheme of arrangement, or other similar relief with respect to itself or its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing case or procedure is commenced in relation to OTC Clear by any other person and either:</p> <ol style="list-style-type: none"> (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for OTC Clear’s winding-up or liquidation; or (2) such case or procedure is not dismissed, discharged, stayed or restrained in each case within 21 OTC Clear Business Days of the institution or presentation thereof;
“OTC Clear Participation Contribution”	means an initial amount of CNY 100 million and represents the contribution payable by OTC Clear in respect of the Inter-CCP OTCC Margin Amount;
“Participantship”	has the meaning given to it in the definition of Special Clearing House Participant;
“Participantship Termination Date”	<p>means:</p> <ol style="list-style-type: none"> (1) in respect of the termination of the Special Clearing House Participant’s Participantship by OTC Clear pursuant to Clearing Rule 21J05, the date designated by OTC Clear; (2) in respect of the designation of an Early Termination Date arising out of an OTC Clear Failure to Pay SHCH Event or an OTC Clear Insolvency Event pursuant to Clearing Rule 21J13, the Early Termination Date designated by the Special Clearing House Participant; and

	(3) in respect of the termination of the Clearing Link Agreement pursuant to Clearing Rule 21E04, the Early Termination Date designated;
“Participating Margin”	means, with respect to each Clearing Member, an amount required to cover OTC Clear’s potential future exposure in respect of the Special Clearing House Participant’s Position Account, as calculated in accordance with section 4.5A of the Clearing Procedures;
“Participating Margin Balance”	means, in respect of a Clearing Member, the aggregate value (as determined in accordance with Chapter 7 of the Clearing Procedures and including any Excess Participating Margin) of Collateral provided in respect of Participating Margin by (and not being requested to be redelivered to) such Clearing Member, in each case, as recorded in the corresponding Participating Margin Collateral Account, and subject to application in accordance with Chapter 13, Chapter 15 or Chapter 19 of these Clearing Rules;
“Participating Margin Collateral Account”	means an account opened in the books of OTC Clear for the purposes of recording the type(s) and amount of Participating Margin Collateral attributed by OTC Clear to each Clearing Member with respect to the exposure to Standard Northbound Rates Derivatives Contracts;
“PBOC”	means the People’s Bank of China;
“Position Limit”	means: (a) with respect to a Clearing Member, an Account Limit and/or an Absolute Risk Limit, whether in relation to its House Position Account or Client Position Account(s) relating to such Clearing Member as described in section 4.6.1 of the Clearing Procedures; and (b) with respect to the Special Clearing House Participant, an Account Limit and/or Absolute Risk Limit in relation to its House Position Account as described in Chapter 11 of the Clearing Procedures;
“PRC”	means the People’s Republic of China excluding, for the purpose of this definition only, Hong Kong, Macau Special Administrative Region and Taiwan;
“PRC Bidder”	has the meaning given to it in Clearing Rule 1901;
“PRC Collateral Account”	means a bank account in the name of the Special Clearing House Participant, opened with a custodian bank in the PRC for the purpose of depositing cash Collateral posted by OTC Clear to satisfy the Inter-CCP OTCC Margin Amount;
“PRC dealer”	means a market maker appointed or approved by CFETS who is a clearing participant of the Special Clearing House Participant;

“Rates Derivatives”	means Standard Rates Derivatives, Standard Cross-currency Rates Derivatives, Non Deliverable Rates Derivatives and Standard Northbound Rates Derivatives together;
“Registration Time”	means, with respect to each Contract, the time shown in the “OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP11 or TDRP16)” in respect of a House Position Account or Report Number TDRP01_C, TDRP02_C, TDRP11_C or TDRP16_C in respect of a Client Position Account) as the “Registration Time”. For the avoidance of doubt, the time shown in the Report Number TDRP16 and TDRP16_C shall be the time when the Special Clearing House Participant accepts the registration of the relevant Original Northbound Transaction;
“Relevant Client”	has its meaning given to it in Clearing Rule 8A07(2);
“Senior Tranche”	has the meaning given to it in Clearing Rule 1914(5)(c);
“SHCH Clearing Guidelines”	means the Shanghai Clearing House Guidelines of Central Counterparty (CCP) Clearing Services, as published by the Special Clearing House Participant and updated from time to time;
“SHCH Clearing Rules”	means the Shanghai Clearing House Rules of Central Counterparty (CCP) Clearing Services and the Shanghai Clearing House Implementing Rules for Central Clearing Business of Mutual Connect between Mainland and Hong Kong Derivatives Market (Tentative), as published by the Special Clearing House Participant and updated from time to time;
“SHCH Event of Default”	has the meaning given to it in Clearing Rule 21J02;
“Special Clearing House Participant”	means Interbank Market Clearing House Co., Limited admitted as a participant for the clearing of the Original Northbound Transactions in accordance with Clearing Rule 21B01 and in respect of which a Participantship Termination Date has not occurred, and “Participantship” shall be construed accordingly;
“Standard Northbound Rates Derivatives”	means the types of derivative transactions satisfying the Product Eligibility Requirements for Standard Northbound Rates Derivatives set out in sections 3.4.5 and 4.6 of the Clearing Procedures;
“Standard Northbound Rates Derivatives Contract”	means a Contract relating to Standard Northbound Rates Derivatives (excluding, for the avoidance of doubt, an Inter-CCP Rates Derivatives Contract);

<p>“Standard Northbound Rates Derivatives Contract Terms”</p>	<p>has the meaning given to it in Clearing Rule 2701;</p>
<p>“Tolerance Period”</p>	<p>means, with respect to OTC Clear and the Special Clearing House Participant only:</p> <ol style="list-style-type: none"> <li data-bbox="568 584 1375 875">(1) in respect of any non-payment by OTC Clear or the Special Clearing House Participant due to tropical cyclone warning, rainstorm warning or extreme condition announced by the relevant government or authority which causes such party to close for business, the period from the day on which such non-payment occurs until the end of the Local Clearing Day on which such party re-opens for business (which period shall not exceed three Northbound Clearing Days); <li data-bbox="568 898 1375 1144">(2) in respect of any non-payment by OTC Clear or the Special Clearing House Participant that is due to a non-system related administrative error or delay, the period from the day on which such non-payment occurs until the end of the immediately following Local Clearing Day of such party (which period shall not exceed three Northbound Clearing Days); <li data-bbox="568 1167 1375 1980">(3) in respect of any non-payment by OTC Clear or the Special Clearing House Participant that is due to any mechanical breakdown, computer or system failure or other failure of equipment, failure of or defect in computer or system software, unavailability of or restriction on any communication media for whatever reason (whether or not such media is used by the Clearing Members or clearing participants of the Special Clearing House Participant (as applicable)), interruption (whether in whole or in part) of power supplies or other utility or service, fire, explosion, or any other technical cause or incident caused by a third party beyond such party's control which may hinder, prevent or render it impossible or impracticable for such party to provide the Clearing Link Services, to give effect to any instructions from the Clearing Members or clearing participants of the Special Clearing House Participant (as applicable) with respect to the Clearing Link Services or to perform in whole or in part any of its obligations under these Clearing Rules, the SHCH Clearing Rules, the Clearing Link Agreement or under any Inter-CCP Rates Derivatives Contract, the period from the day on which such non-payment occurs until the end of the immediately following Local Clearing Day of such

	<p>party (which period shall not exceed three Northbound Clearing Days); and</p> <p>(4) in respect of any non-payment by OTC Clear on a Saturday or Sunday on which the Special Clearing House Participant carries out clearing operations where the Cross-Border Inter-Bank Payments System is closed for business, the period from the day on which such non-payment occurs until the end of the immediately following OTC Clear Clearing Day (which period shall not exceed three Northbound Clearing Days);</p>
“Total Available Inter-CCP Resources”	has the meaning given to it in Clearing Rule 1516A;
“Tranche”	has the meaning given to it in Clearing Rule 1914(5)(c);
“Tranching Methodology”	has the meaning given to it in Clearing rule 1914(5);
“Transaction Category”	<p>means any of the following:</p> <p>(1) Standard Rates Derivatives Contract – single currency interest rate swap denominated in USD;</p> <p>(2) Standard Rates Derivatives Contract – single currency interest rate swap denominated in EUR;</p> <p>(3) Standard Rates Derivatives Contract – single currency interest rate swap denominated in HK dollars;</p> <p>(4) Standard Rates Derivatives Contract – single currency interest rate swap denominated in CNY (offshore);</p> <p>(5) Standard Rates Derivatives Contract – single currency basis swap denominated in USD;</p> <p>(6) Standard Rates Derivatives Contract – single currency basis swap denominated in EUR;</p> <p>(7) Standard Rates Derivatives Contract – single currency basis swap denominated in HK dollars;</p> <p>(8) Standard Cross-currency Rates Derivatives Contract – cross currency interest rate swap denominated in CNY (offshore) and USD;</p> <p>(9) Standard Cross-currency Rates Derivatives Contract – cross currency basis swap denominated in CNY (offshore) and USD;</p> <p>(10) Standard Cross-currency Rates Derivatives Contract – cross currency interest rate swap denominated in HK dollars and USD;</p>

	<p>(11) Standard Cross-currency Rates Derivatives Contract – cross currency basis swap denominated in HK dollars and USD;</p> <p>(12) Non Deliverable Rates Derivatives Contract denominated in CNY;</p> <p>(13) Non Deliverable Rates Derivatives Contract denominated in INR;</p> <p>(14) Non Deliverable Rates Derivatives Contract denominated in KRW;</p> <p>(15) Non Deliverable Rates Derivatives Contract denominated in MYR;</p> <p>(16) Non Deliverable Rates Derivatives Contract denominated in THB;</p> <p>(17) Non Deliverable Rates Derivatives Contract denominated in TWD;</p> <p>(18) Non Deliverable FX Derivatives Contract denominated in CNY;</p> <p>(19) Non Deliverable FX Derivatives Contract denominated in INR;</p> <p>(20) Non Deliverable FX Derivatives Contract denominated in KRW;</p> <p>(21) Non Deliverable FX Derivatives Contract denominated in TWD;</p> <p>(22) Deliverable FX Forward Contract denominated in CNY (offshore) and USD;</p> <p>(23) Deliverable FX Forward Contract denominated in HK dollars and USD;</p> <p>(24) Deliverable FX Swap Contract denominated in CNY (offshore) and USD;</p> <p>(25) Deliverable FX Swap Contract denominated in HK dollars and USD; and</p> <p>(26) Standard Northbound Rates Derivatives Contract – single currency interest rate swap denominated in CNY;</p>
“Transaction Data”	means, in respect of an Original Transaction or an Original Northbound Transaction, the economic terms relating to such Original Transaction or Original Northbound Transaction as designated by the Clearing Member(s) or Client(s) to such Original Transaction or Original Northbound Transaction;

<p>“Unpaid Amounts”</p>	<p>any amounts that became payable in respect of Contracts recorded in a Defaulting Clearing Member’s House Position Account or Client Position Accounts on or prior to such DMP Event and which remain unpaid as at the completion of a successful Auction or the occurrence of a Contract Termination Event (as applicable) in respect of all Auction Portfolios relating to such DMP Event (excluding, for the avoidance of doubt, any Unsettled VM Amounts), or any amounts that became payable in respect of Contracts recorded in the Defaulting Special Clearing House Participant’s House Position Account on or prior to such DMP Event and which remain unpaid as at the occurrence of a Contract Termination Event in respect of all Contracts recorded in the Defaulting Special Clearing House Participant’s House Position Account relating to such DMP Event;</p>
<p>“Variation Margin”</p>	<p>means:</p> <ul style="list-style-type: none"> (a) in respect of each House Position Account and each Client Position Account of a Clearing Member, the aggregate amount (including any Intra-day Variation Margin) determined by OTC Clear in accordance with Clearing Rules 1206 and 1207 and the Clearing Procedures on each OTC Clear Clearing Day, which is payable to, or receivable by, the Clearing Member in respect of such Position Account; and (b) in respect of the House Position Account of the Special Clearing House Participant, the aggregate amount determined in accordance with Clearing Rule 21I02 and the Clearing Procedures on each Northbound Clearing Day, which is payable to, or receivable by, the Special Clearing House Participant in respect of such House Position Account;

Interpretation

107. Except as otherwise expressly provided in these Clearing Rules, a reference to these Clearing Rules include the Clearing Procedures. The Clearing Procedures supplement and form part of these Clearing Rules, and therefore, subject to Clearing Rule 108, shall take effect and shall be binding on Clearing Members and the Special Clearing House Participant. OTC Clear may from time to time issue Clearing Notices, which shall be binding on all Clearing Members and the Special Clearing House Participant.
109. OTC Clear shall, at all times, act in good faith and in a commercially reasonable manner in its interpretation of these Clearing Rules. The interpretation by OTC Clear of these Clearing Rules and Clearing Notices shall be final, conclusive and binding on all Clearing Members, the Special Clearing House Participant and the parties to all Contracts.

Chapter 2 General Provisions

Amendment

201. Subject to the SFO and the Articles of Association of OTC Clear:

- (1) the OTC Clear Board, after consultation with the Risk Management Committee, shall have the power to amend this Clearing Rule 201, or to add to, vary or waive any of these Clearing Rules set out in Chapter 3, Chapter 4, Chapter 6, Chapter 12, Chapter 13, Chapter 15 and Chapter 16 to Chapter 21, Chapter 21B, Chapter 21C, Chapter 21E, Chapter 21I to Chapter 21N of these Clearing Rules; and
- (2) the OTC Clear Board shall have the power to amend, add to, vary or waive any of the remaining Clearing Rules which are not referred to in sub-paragraph (1) above without first consulting the Risk Management Committee.

Without prejudice to the foregoing, OTC Clear recognizes that circumstances may arise which may require OTC Clear to make ad hoc or urgent decisions on a case specific basis or where a meeting of the OTC Clear Board and/or the Risk Management Committee cannot be convened in a timely manner. Accordingly, the OTC Clear Board may delegate its powers under sub-paragraphs (1) and (2) above to the chief executive or such other senior executives of OTC Clear as it considers appropriate, provided that in respect of matters referred to sub-paragraph (1) above, the chairman of the Risk Management Committee shall be consulted before a decision is made.

Liability

203. Except as otherwise expressly provided in these Clearing Rules, 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 the operations of the Rates and FX Clearing Services, the provision of such services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules, 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 as a result of or in connection with the following matters:

- (1) any error, interruption, failure or malfunction of, or inability to use any systems, communication lines or facilities or technology supplied, operated or used (directly or indirectly) by OTC Clear for purposes of operating its Rates and FX Clearing System and/or providing its services;
- (2) any action or omission by any of them in connection with the operation of the Rates and FX Clearing System, the provision of services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules;
- (3) any suspension, restriction or closure of OTC Clear or its services or any relevant over-the-counter derivatives market;

- (4) any act or omission, including any delay on the part, of any Clearing Member, any Client or any other third party;
 - (5) any dispute relating to the validity, existence or terms of any Contract;
 - (6) a failure by a Clearing Member to comply with any Clearing Documentation;
 - (7) the taking of action or the omission of taking of actions by OTC Clear authorized, permitted or contemplated in the Clearing Documentation;
 - (8) the inability of OTC Clear to perform as a result of the invalidity or, cancellation of any insurance or assurances effected by OTC Clear or the insolvency of such insurers or assurers (provided that the selection of such insurance, assurances or insurers by OTC Clear shall not have been unreasonable at the time of selection);
 - (9) any act or omission by OTC Clear in accordance with the directions of any Governmental Authority, or an order made or directions given by a court in exercise of its proper jurisdiction, where it is required to do so by Applicable Law;
 - (10) any failure by OTC Clear to obtain appropriate warranties, certificates or other commitments from any system's supplier or a failure to take any steps to enforce the same;
 - (11) any acts or omissions, or delay on the part, of the owners and licensees of all hardware and software operated or used by OTC Clear for the purposes of providing the Rates and FX Clearing Services (or any acts or omissions of the employees or agents of those owners and licensees);
 - (12) any proceeding or investigation brought by or on behalf of any Governmental Authority, self-regulatory organization, or other regulatory authority exercising any disciplinary functions to which one or more Clearing Member is subject;
 - (13) any acts or omissions, including any delay on the part, of OTC Clear's own banker, or any other custodians, sub-custodians, depositories, clearing systems, if any, appointed or used by OTC Clear in relation to Collateral, or the occurrence of an Insolvency Proceedings with respect to such Persons (provided that the selection by OTC Clear of such Persons shall not have been unreasonable); and
 - (14) any inability by any Clearing Member or any other Person to use any programme or system for purposes of accessing the Rates and FX Clearing Services.
- 203A. Except as otherwise expressly provided in these Clearing Rules, 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 the operations of the Special Clearing House Participant's services, the provision of such services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules relating

to the Standard Northbound Rates Derivatives Contract, 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 as a result of or in connection with the following matters:

- (1) any error, interruption, failure or malfunction of, or inability to use any systems, communication lines or facilities or technology supplied, operated or used (directly or indirectly) by the Special Clearing House Participant for purposes of operating its clearing system and/or providing its services;
- (2) any action or omission by the Special Clearing House Participant in connection with the operation of the Special Clearing House Participant's system, the provision of services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules relating to the Standard Northbound Rates Derivatives Contract;
- (3) any suspension, restriction or closure of the Special Clearing House Participant or its services or any relevant over-the-counter derivatives market;
- (4) any act or omission by the Special Clearing House Participant in accordance with the directions of any Governmental Authority, or an order made or directions given by a court in exercise of its proper jurisdiction, where it is required to do so by Applicable Law; and
- (5) any acts or omissions, or delay on the part, of the owners and licensees of all hardware and software operated or used by the Special Clearing House Participant for the purposes of providing its services under its system (or any acts or omissions of the employees or agents of those owners and licensees).

Force Majeure Events and Illegality

209. If, pursuant to Clearing Rule 208, it is determined that a Force Majeure Event or Illegality has occurred, either with respect to one or more Clearing Members, the Special Clearing House Participant or OTC Clear itself, OTC Clear shall declare the occurrence of such Force Majeure Event or Illegality and notify all Clearing Members and the Special Clearing House Participant of such occurrence.
210. Upon the declaration of the occurrence of a Force Majeure Event or Illegality, as the case may be, with respect to one or more Clearing Member, the Special Clearing House Participant or OTC Clear itself by OTC Clear pursuant to Clearing Rules 209 or 21A20:
 - (1) OTC Clear shall be entitled to perform Emergency Close-Out in respect of:
 - (a) any Contract with a Clearing Member affected by such Force Majeure Event or Illegality;
 - (b) the Contract with a Clearing Member with equal but opposite terms which was created from the same Original Transaction or Original

Northbound Transaction, as the case may be, corresponds to an Inter-CCP Rates Derivatives Contract affected by such Force Majeure Event or Illegality or otherwise that corresponds to the Contract referred to in sub-paragraph (a) above; and

- (c) any other Contract a Clearing Member associated with the Contracts referred to in sub-paragraphs (a) and (b) above for the purpose of ensuring OTC Clear is risk-neutral overall,

in each case, in accordance with this Clearing Rule 210, and each Clearing Member who is party to such Contract agrees to such Emergency Close-Out as may be selected by OTC Clear. OTC Clear may designate an Early Termination Date in case of an Emergency Close-Out;

- (2) OTC Clear shall be entitled to require Clearing Members to comply with any directions issued by OTC Clear regarding the performance of, or otherwise in respect of, such affected Contracts as are specified by OTC Clear;
- (3) if the Force Majeure Event or Illegality occurs with respect to a Clearing Member or the Special Clearing House Participant only but not OTC Clear, and such Force Majeure Event or Illegality affects the relevant Clearing Member's or the Special Clearing House Participant's ability to perform its payment obligation under a Contract, OTC Clear shall have the right to suspend any payment obligations OTC Clear has towards another Clearing Member under a related Contract whose terms are equal but opposite to the affected Contract, until receipt of the relevant payments from the affected Clearing Member or the Special Clearing House Participant. Any suspension of payment by OTC Clear pursuant to this sub-paragraph (3) shall not constitute failure to pay on the part of OTC Clear;
- (4) in the event the Force Majeure Event or Illegality occurs only with respect to one or more Clearing Members but not OTC Clear itself, OTC Clear shall be entitled to commence the Default Management Process (with such adjustments as OTC Clear, in consultation with the Risk Management Committee, deem appropriate in applying such process in respect of a Force Majeure Event or Illegality);
- (5) if a Force Majeure Event occurs with respect to OTC Clear, OTC Clear shall be entitled to suspend the whole or any part of the operations of the Rates and FX Clearing Services. OTC Clear shall notify all Clearing Members as soon as practicable upon a decision to either suspend or resume any operation of the Rates and FX Clearing Services pursuant to this sub-paragraph (5);
- (6) if a Force Majeure Event or Illegality has occurred with respect to a Clearing Member, such Clearing Member shall use all reasonable endeavours to mitigate the effects of the same upon its ability to perform its obligations to OTC Clear;

- (7) each Clearing Member affected by the Force Majeure Event or Illegality shall notify OTC Clear immediately as soon as its ability to perform is no longer affected by the Force Majeure Event or Illegality (or, if OTC Clear is the person affected by the Force Majeure Event or Illegality, OTC Clear shall notify all Clearing Members in relation to the cessation of the Force Majeure Event or Illegality); and
- (8) upon the occurrence of a Force Majeure Event or Illegality with respect to OTC Clear or the Special Clearing House Participant, OTC Clear shall be entitled to suspend and/or terminate any Contracts with any Clearing Members which correspond to any Inter-CCP Rates Derivatives Contracts suspended or terminated due to such Force Majeure Event or Illegality. OTC Clear shall notify all Clearing Members as soon as practicable upon a decision to suspend, resume or terminate the Contracts pursuant to this sub-paragraph (8).

Disclosure of Information

212. All information provided to or in the possession of OTC Clear regarding past or current positions carried by OTC Clear for a Clearing Member, Margin payments between OTC Clear and a Clearing Member or deliveries made by or to a Clearing Member and any financial statements submitted to OTC Clear by any Clearing Member shall be kept confidential by OTC Clear in accordance with such procedures or policies as OTC Clear may from time to time determine. Notwithstanding the foregoing, OTC Clear may disclose any information described in the immediately preceding sentence, any information received from a Clearing Member and any other information in connection with a Clearing Member at any time:
- (1) with the written consent of the Clearing Member involved;
 - (2) to HKEX and any of its Affiliates and any Representatives, committees, auditors or advisers of HKEX or any Affiliate of OTC Clear which is a recognized exchange company or a recognized clearing house under the SFO;
 - (3) pursuant to any requirement or request of any Governmental Authority, including, but not limited to, the SFC, HKMA and the Inland Revenue Department of the Hong Kong government; or to any Person required by or in accordance with the Tax Information Exchange Framework;
 - (4) pursuant to any order of a court of competent jurisdiction;
 - (5) as expressly permitted by the Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default and the implementation by OTC Clear and Clearing Members of settlement of any Contract provided that where OTC Clear discloses any information to any Clearing Member in such circumstances, the receiving Clearing Member shall treat such information as confidential information and shall not make the information known or available to any other Person

or use the information for any purpose other than that for which it has been disclosed by OTC Clear;

- (6) to any insurer, insurance broker or banker in connection with any arrangement in support of the Rates and FX Guarantee Resources;
- (7) to any professional advisers, auditors or consultants of OTC Clear;
- (8) as required by any Applicable Law;
- (9) to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or HKEX has entered into an information sharing arrangement or reporting service agreement or pursuant to the Tax Information Exchange Framework, such trade repository or Governmental Authority may use, handle, store, transfer and disclose such information in accordance with the terms of any such information sharing arrangement, reporting service agreement or pursuant to the Tax Information Exchange Framework;
- (9A) to the Special Clearing House Participant as required under any agreement between OTC Clear and the Special Clearing House Participant in connection with the clearing of Original Northbound Transactions;
- (10) to any service provider or third party contractor whom OTC Clear has engaged to provide data processing or other similar services for OTC Clear, provided that any such persons shall be bound by confidentiality obligation or undertaking;
- (11) to any Person if the information comes into the public domain, other than as a result of a breach of this Clearing Rule 212 by OTC Clear or any of its Representatives;
- (12) to any Client or Designated Person to which the information relates; or
- (13) insofar as a Clearing Member is a Compression Clearing Member in relation to a particular Multilateral Compression Cycle, such information as the relevant Compression Service Provider requires that OTC Clear provide to it for the purposes of preparing the Unwind Proposal relating to that Multilateral Compression Cycle,

provided that, in any such case other than under sub-paragraphs (1), (3), (4), (5), (9) and (11) above, the confidentiality of the information is made known to the recipient (it being understood that, if more than one sub-paragraph of this sentence applies to a particular disclosure and that includes any of sub-paragraph (1), (3), (4), (5), (9) or (11) above, then the confidentiality of the information need not be made known to the recipient).

Each Clearing Member agrees that OTC Clear has the power to publish aggregated trade information in respect of Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trade volumes, types of Contracts cleared and settled by OTC Clear, provided that the identity of Clearing

Members or Clients cannot reasonably be determined from the data, statistics or other materials so published.

Each Clearing Member agrees that, if it receives any information in connection with the Special Clearing House Participant as described in Clearing Rule 21A07, the receiving Clearing Member shall treat such information as confidential information and shall not make the information known or available to any other Person or use the information for any purpose other than that for which it has been disclosed by OTC Clear.

Governing Law

216. Each Clearing Member irrevocably agrees for the benefit of OTC Clear that the courts of Hong Kong shall have jurisdiction to hear and determine any action or dispute which may arise out of or in connection with these Clearing Rules. Each Clearing Member irrevocably submits to the jurisdiction of Hong Kong courts and agree 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.

Third Party Rights

228. Unless expressly provided to the contrary in these Clearing Rules, a person who is not OTC Clear, a Clearing Member or the Special Clearing House Participant has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) to enforce or to enjoy the benefit of any term or provision of these Clearing Rules.

PART II MEMBERSHIP

Chapter 3 General Provisions

Clearing Members

302. OTC Clear may admit Clearing Members for the clearing of FX Derivatives and/or Rates Derivatives and/or such other types of OTC Derivatives Contracts as OTC Clear may determine from time to time. OTC Clear will only register an Original Transaction and an Original Northbound Transaction if such transaction satisfies the Eligibility Requirements applicable to such transaction at the time of its submission to OTC Clear for registration, through to the Registration Time. Clearing Members may register Contracts to their House Account and, if permitted to do so under Applicable Laws and if approved by OTC Clear, and subject to the provisions in Chapter 8 and other relevant provisions of the Clearing Rules relating to client clearing, to one or more Client Accounts.

Chapter 4 Legal Obligations

Continuing Obligations

401. Each Clearing Member shall at all times:

- (1) adhere strictly to, and be bound by, the Clearing Documentation and any conditions stipulated in the notice of approval of its Membership;
- (2) comply with the decisions, directions, directives, determinations, findings of fact and/or interpretation of OTC Clear in the exercise or performance of any right, power, privilege, discretion, function, duty or obligation conferred on it by or pursuant to the Clearing Documentation;
- (3) be validly incorporated and existing under the laws of its jurisdiction of incorporation which is a jurisdiction acceptable to OTC Clear, (if relevant in such jurisdiction) be in good standing and have all the necessary approvals, licences and authorisations in place for the carrying on of its business in all jurisdictions;
- (4) have established a place of business in Hong Kong and be a Licensed Corporation or an Authorized Institution, provided that:
 - (a) a Licensed Corporation or an Authorized Institution which is not incorporated in Hong Kong may become a Clearing Member; and
 - (b) OTC Clear may admit any Person that is neither a Licensed Corporation nor an Authorized Institution (a “**Remotely Regulated Entity**”)* as a Clearing Member subject to such Person having in place, in its country of incorporation and any other jurisdiction in which it conducts business, all regulatory authorizations, licenses, permissions and approvals which OTC Clear reasonably determines to be necessary for the Clearing Member to carry out its business as a Clearing Member in the relevant jurisdictions and subject to the provision of such opinions or other information as OTC Clear may require from time to time,and provided further that in each case, the relevant Clearing Member satisfies the obligations set out in section 2.1.8 of the Clearing Procedures;
- (5) act in good faith in its dealings with OTC Clear;
- (6) maintain Capital in an amount not less than the Minimum Capital Requirement and comply with all applicable Regulatory Capital Requirement and related obligations evidencing compliance with such requirements;
- (7) pay when due all amounts required by OTC Clear in accordance with the Clearing Documentation, including, without limitation, its Margin requirement, its Rates and FX Liability and cash payment obligations, including but not limited to fees, levies, duties, charges and fines;

* Note: Introduction of remote membership is being considered by HKEX at the moment, and is not intended to be available during the initial phase of establishment of OTC Clear.

- (8) hold an account or accounts (as necessary) for settlement purposes as prescribed under the Clearing Procedures;
- (9) have, to the satisfaction of OTC Clear, adequate personnel, operational capability, systems, facilities, equipment and controls in place to ensure that:
 - (a) it is able to support the proper performance of its business as a Clearing Member, including such computer hardware and software systems as may be specified by OTC Clear for gaining access to the Rates and FX Clearing System used or managed by OTC Clear;
 - (b) it has an effective management and organisational structure to enable it to conduct its business in a sound, efficient and effective manner;
 - (c) it has adequate risk management systems that are applied appropriately;
 - (d) it is able to continuously monitor communication facilities for receipt of communications from OTC Clear; and
 - (e) it is able to promptly review Clearing Notices and other communications delivered or made available to the Clearing Member or its Representatives by OTC Clear, and

ensure that such personnel, operational capability, systems, facilities equipment and controls are properly maintained;
- (10) have in place sufficient procedures providing for business continuity reasonably satisfactory to OTC Clear;
- (11) satisfy OTC Clear that it has a sufficient level of knowledge about the types of Contracts that it intends to clear and any risks involved in relation to the same;
- (12) maintain accurate daily records of all Contracts to which it is or has been party and make such regular financial returns as may from time to time be prescribed by OTC Clear, including but not limited to those required pursuant to Clearing Rule 504 and the Clearing Procedures;
- (13) undertake to certify on an annual basis that the information or representations provided or given in its Application Form, Membership Agreement or otherwise in connection with its application of Membership is true, complete and accurate;
- (14) if such Clearing Member is providing Client Clearing Services to its Clients, comply with the provisions relating to Client Clearing Services in Chapter 8 of these Clearing Rules;
- (14A) if such Clearing Member is a U.S. Person, limit its submission of Original Transactions and Original Northbound Transactions to OTC Clear for registration to those transactions in which one of the counterparties is: (i)

such Clearing Member; (ii) a Client of such Clearing Member who is not a U.S. Person; or (iii) a Client of such Clearing Member who is a U.S. Person that falls within such Clearing Member's "proprietary account", as that term is defined in CFTC Regulation 1.3(y) (17 C.F.R. § 1.3(y));

- (14B) if such Clearing Member is not a U.S. Person, limit its submission of Original Transactions and Original Northbound Transactions to OTC Clear for registration on behalf of Clients who are U.S. Persons to those U.S. Persons that fall within such Clearing Member's "proprietary account", as that term is defined in CFTC Regulation 1.3(y) (17 C.F.R. § 1.3(y));
- (14C) if such Clearing Member is registered with the CFTC as a futures commission merchant (an "**FCM**"), limit its submission of Original Transactions and Original Northbound Transactions to OTC Clear for registration to those transactions in which one of the counterparties is either: (i) such FCM; or (ii) a Client of such FCM who is a U.S. Person that falls within such Clearing Member's "proprietary account", as that term is defined in CFTC Regulation 1.3(y) (17 C.F.R. § 1.3(y));
- (14D) if such Clearing Member submits Original Transactions and Original Northbound Transactions to OTC Clear for registration on behalf of Clients who are Affiliates that are registered with the CFTC as FCMs, limit its submission of such transactions to those transactions in which one of the counterparties is one of such FCMs;
- (15) if such Clearing Member is providing Client Clearing Services to its Clients, undertake to disclose to OTC Clear (i) the identity of its Clients which are its Affiliates and (ii) the Client Accounts which are held by such Clearing Member for the benefit of its Affiliates;
- (16) if such Clearing Member is providing Client Clearing Services to its Clients, undertake not to comingle positions and Collateral held on behalf of its Affiliates with positions and Collateral held on behalf of Clients who are not its Affiliates;
- (17) have registered with OTC Clear:
 - (a) a Person, having director, general partner, trustee or senior officer status at the Clearing Member (or a Person occupying a similar status or performing similar functions) who is acceptable to OTC Clear and is both responsible for the clearing operations of the Clearing Member and authorized to act on behalf of the Clearing Member in respect of all transactions with or involving OTC Clear; and
 - (b) an alternate Person that satisfies the requirements set out in subparagraph (a) above and who is authorized to act on behalf of the Clearing Member in the event that the first Person is incapable or unable to act;
- (18) in the event that OTC Clear in its reasonable discretion so directs, allow formal audits, inspection (including on-site inspection) or system tests

related to its business with OTC Clear at the expense of the Clearing Member;

- (19) participate in the implementation of the Default Management Process, including participation in regular fire drills, in accordance with the Clearing Documentation;
- (20) comply with any procedures or enter into any documentation from time to time prescribed by OTC Clear and which relate to the business of OTC Clear;
- (21) be fit and proper, have sufficient qualities of financial responsibility, reputation and competence as OTC Clear, in its discretion, considers necessary or appropriate and satisfy OTC Clear that its directors, officers and Representatives also satisfy such tests;
- (22) not be subject to Insolvency Proceedings;
- (23) ensure and undertake, at all times, that it will not cause OTC Clear to violate any Applicable Laws as a result of the provision of Client Clearing Services to its Clients by the Clearing Member;
- (24) (a) be subject to Applicable Laws relating to money laundering and terrorist financing that requires it to undertake due diligence and identity verification measures on its Clients to the extent that it provides Client Clearing Services, (b) comply with all Applicable Laws relating to its status, the conduct of its business and the performance of its obligations as a Clearing Member, including, for the avoidance of doubt, all Applicable Laws relating to the prevention of bribery, money laundering, financial crimes and terrorist financing and (c) not be subject to any sanctions promulgated or imposed by the United Nations or any Governmental Authority relevant to it or its clearing activities;
- (25) have all necessary authorisations, licences, permissions, approvals or equivalent in respect of each Regulatory Authority required to enter into and clear Original Transactions, including, where relevant, Original Transactions with or on behalf of Clients, through OTC Clear; and
- (26) be able to demonstrate, to the satisfaction of OTC Clear, the ability to comply with the above.

Reporting Obligation

409. Each Clearing Member shall notify OTC Clear and provide OTC Clear with the following information upon submitting an Original Transaction and an Original Northbound Transaction for registration which it, its Affiliate or its CM Branch, pursuant to CFTC rules and regulations, either voluntarily reports or is required to report, to a swap data repository registered with the CFTC:

- (1) the unique swap identifier for each such transaction;
- (2) the name of each swap data repository to which each such transaction was reported; and

- (3) any other information set out in Clearing Notices issued from time to time by OTC Clear in order for OTC Clear to comply with its reporting obligations under the Dodd-Frank Wall Street Reform and Consumer Protection Act and any related rules or regulations issued by the CFTC or any other applicable Governmental Authority.
- 410. Upon acceptance of each Original Transaction and each Original Northbound Transaction for registration and the creation of the Contracts relevant to each such transaction, each Clearing Member or its Affiliate or CM Branch who has reporting obligations under the Part 45 rules issued by the CFTC to implement Section 2(a)(13)(G) of the Commodity Exchange Act shall report the termination of such Original Transaction or Original Northbound Transaction, as the case may be, to the relevant swap data repository to whom the creation data was originally reported.
- 411. In order to avoid duplicative reporting, neither a Clearing Member nor its Affiliates and CM Branches shall report to any swap data repository registered with the CFTC any details of the Contracts created upon acceptance of an Original Transaction or Original Northbound Transaction for registration.

Chapter 7 Designated Person

General

701. A Designated Person may submit an Original Transaction or an Original Northbound Transaction to OTC Clear on behalf, and in the name, of its Clearing Member for purposes of registering such transaction to form a Contract between OTC Clear and such Clearing Member.
702. In order to be approved as a Designated Person by OTC Clear, a Clearing Member may submit for OTC Clear's approval one or more of its Affiliates and/or CM Branches to act as its Designated Person(s) and it must clearly indicate the branch location or jurisdiction of incorporation and the location from which it may utilize the Rates and FX Clearing Services (including the location from which it may submit an Original Transaction or an Original Northbound Transaction), as applicable, of each CM Branch or Affiliate whom it proposes to become its Designated Person.
704. OTC Clear has the sole right and discretion in determining whether to approve an Affiliate or a CM Branch to be a Designated Person of a Clearing Member. OTC Clear will only accept for registration Original Transactions or Original Northbound Transactions submitted by the Clearing Member or by its Designated Person(s).
705. Each Clearing Member represents that unless prior written approval has been obtained from OTC Clear, it will only utilize the Rates and FX Clearing Services through its place of business in Hong Kong, or through its Designated Person(s) at the branch location or jurisdiction of incorporation or the location from which it may submit an Original Transaction or an Original Northbound Transaction, as applicable, each of which as approved by OTC Clear.
706. Each Clearing Member acknowledges that its Affiliate may submit Original Transactions or Original Northbound Transactions for registration in the capacity as the Designated Person of such Clearing Member.
- 706A. An Affiliate of a Clearing Member wishing to utilize the clearing services offered by OTC Clear in respect of Original Transactions and Original Northbound Transactions to which it is a party may enter into a Client Clearing Agreement with (and become a Client of) its Clearing Member or any other Clearing Member.
707. A Clearing Member may request OTC Clear to remove the status of one or more Designated Persons and OTC Clear will only be required to accept such request if no Contracts relating to the Original Transaction or Original Northbound Transaction that have been originally submitted for registration by such Designated Person are outstanding, and OTC Clear is satisfied that there is no outstanding liability or sums owing to OTC Clear in respect of such Contracts.

Acknowledgment by a Designated Person

709. Without prejudice to the operation of Clearing Rule 708, OTC Clear may, from time to time, limit, restrict or vary the scope in which a Designated Person may submit Original Transactions or Original Northbound Transactions to OTC Clear on

behalf, or in the name, of its Clearing Member and OTC Clear will notify the relevant Clearing Member of any such limitation, restriction or variation.

PART III CLEARING OPERATIONS

Chapter 8 Clearing by OTC Clear

Client Clearing

816. A Clearing Member shall, prior to offering Client Clearing Services to its Clients, obtain relevant approval from OTC Clear. OTC Clear may stipulate any conditions or requirements in connection with a Clearing Member's application to provide Client Clearing Services. Any purported client clearing services provided by a Clearing Member prior to the relevant approval being obtained or in breach of any condition or requirement stipulated by OTC Clear in the relevant approval shall not be considered Client Clearing Services under these Clearing Rules, and the clients of such Clearing Member shall not be considered as Clients under these Clearing Rules. Accordingly, Original Transactions submitted as part of such Clearing Member's client clearing services shall not be registered as Contracts.

Segregation of Client Accounts

823. A Clearing Member shall ensure due segregation of Contracts and their related Collateral between its House Account and its Client Account(s). A Clearing Member shall clearly identify the exact type(s) and amount of Collateral provided to OTC Clear in respect of each of its House Collateral Account and Client Collateral Account(s), and retain the same information in its file for record. In particular:

- (1) Collateral held in respect of a Clearing Member's Client Position Account shall never be applied to meet any payment or delivery demands in respect of any other Client Position Account(s) or House Position Account of such Clearing Member; and
- (2) Excess Margin held in respect of a Clearing Member's House Position Account and Excess Participating Margin may be applied to meet any payment or delivery demands in respect of one or more Client Position Accounts of such Clearing Member,

provided that this Clearing Rule 823 shall not prejudice the operation of Clearing Rules 1308A and 1309 in the event of the occurrence of a DMP Event.

Chapter 8A Clearing by OTC Clear in respect of Original Northbound Transactions

Acceptance for Registration of Original Northbound Transactions

- 8A01. Original Northbound Transactions must be entered into exclusively between a Clearing Member (or Designated Person on behalf of the relevant Clearing Member) or a Client on the one hand and a PRC dealer on the other hand on the CFETS Swap Connect trading platform. If one counterparty to an Original Northbound Transaction is a Clearing Member (or its Client), the other counterparty must be a PRC dealer.
- 8A02. Clearing Members (or Designated Person or Clients on behalf of the relevant Clearing Member) may from time to time submit Original Northbound Transactions to OTC Clear for registration in accordance with the Clearing Procedures. In order to qualify for registration, an Original Northbound Transaction must satisfy the Eligibility Requirements applicable to such Original Northbound Transaction. The Eligibility Requirements applicable to an Original Northbound Transaction are set out in the Clearing Procedures.
- 8A03. Without prejudice to Clearing Rule 8A02, OTC Clear may at any time reject any Original Northbound Transaction submitted for registration if, at the relevant time:
- (1) an Event of Default has occurred, or in OTC Clear's reasonable opinion, is likely to occur, in relation to the relevant Clearing Member;
 - (2) an SHCH Event of Default has occurred, or in OTC Clear's reasonable opinion, is likely to occur, in relation to the Special Clearing House Participant;
 - (3) the Original Northbound Transaction does not satisfy the applicable Eligibility Requirements;
 - (4) the Clearing Member in whose name such Original Northbound Transaction will be registered has not satisfied its Margin requirements;
 - (5) the Special Clearing House Participant has not satisfied its Margin requirements; or
 - (6) the Original Northbound Transaction has not been accepted for clearing by the Special Clearing House Participant.
- 8A04. If OTC Clear determines that an Original Northbound Transaction is acceptable for registration, such Original Northbound Transaction will be registered in accordance with Clearing Rule 8A07, provided that OTC Clear may apply any other conditions to the registration of such Original Northbound Transaction.
- 8A05. In the event that an Original Northbound Transaction fails to be accepted for registration pursuant to these Clearing Rules, OTC Clear shall, in accordance with the Clearing Procedures, notify the relevant Clearing Member of its decision.
- 8A06. Any Original Northbound Transaction that fails to be accepted for registration shall remain in full force and effect as between the two original parties to such Original Northbound Transaction pursuant to the terms therein.

Creation of Contracts through Submission of Original Northbound Transactions by Clearing Members or Clients

8A07. Any Original Northbound Transaction submitted for, and accepted by, OTC Clear for registration will result in the novation of the Original Northbound Transaction and the formation of two Contracts in its place with effect from the Registration Time, as follows:

- (1) if the Original Northbound Transaction is between a Clearing Member and a PRC dealer, then:
 - (a) one Contract is created between a Clearing Member ("**Clearing Member A**") who was party to the Original Northbound Transaction and OTC Clear (as principal), under which:
 - (A) the rights and obligations of OTC Clear arising from the Economic Terms of such Contract will be the same as those of the PRC dealer who was party to the Original Northbound Transaction under the economic terms of the Original Northbound Transaction; and
 - (B) the rights and obligations of Clearing Member A arising from the Economic Terms of such Contract will be the same as those it had under the economic terms of the Original Northbound Transaction against the PRC dealer, except that such rights and obligations are modified by the replacement of OTC Clear as the counterparty to Clearing Member A,and are subject to any changes as a result of the operation of the Contract Terms (as supplemented by the Clearing Procedures) for that Contract;
 - (b) another Contract is created between the Special Clearing House Participant with OTC Clear (as principal), under which:
 - (A) the rights and obligations of OTC Clear arising from the Economic Terms of such Contract will be the same as those of Clearing Member A under the economic terms of the Original Northbound Transaction; and
 - (B) the rights and obligations of the Special Clearing House Participant arising from the Economic Terms of such Contract will be the same as those of the relevant PRC dealer under the economic terms of the Original Northbound Transaction against Clearing Member A, except that such rights and obligations are modified by the replacement of OTC Clear as the counterparty to the Special Clearing House Participant,

and are subject to any changes as a result of the operation of the Contract Terms (as supplemented by the Clearing Procedures) for that Contract;

- (c) a cleared contract is created between the relevant PRC dealer and the Special Clearing House Participant in its capacity as a central clearing counterparty in the PRC, governed by and subject to the terms of the clearing rules of the Special Clearing House Participant; and
 - (d) in respect of the Original Northbound Transaction between a Clearing Member and a PRC dealer, upon the creation of the two Contracts under sub-paragraphs (a) and (b) above and the cleared contract under sub-paragraph (c) above, the rights and obligations of the parties to the corresponding Original Northbound Transaction will be automatically and completely discharged and of no further force or effect, save and except for any amounts which are due and payable (or deliverable) by one party to the other prior to the Registration Time pursuant to the terms of such Original Northbound Transaction and which remain unpaid (or undelivered); and
- (2) if the Original Northbound Transaction is between a Client (the “**Relevant Client**”) and a PRC dealer, then:
- (a) one Contract is created between the Clearing Member who provides Client Clearing Services to the Relevant Client (“**Clearing Member B**”) (in respect of its Client Position Account relating to the Relevant Client) and OTC Clear (as principal), under which:
 - (A) the rights and obligations of OTC Clear arising from the Economic Terms of such Contract will be the same as those of the relevant PRC dealer who was party to the Original Northbound Transaction with the Relevant Client under the economic terms of the Original Northbound Transaction; and
 - (B) the rights and obligations of Clearing Member B (in respect of its Client Position Account relating to the Relevant Client) arising from the Economic Terms of such Contract will be the same as those the Relevant Client had under the economic terms of the Original Northbound Transaction against the relevant PRC dealer, except that such rights and obligations are modified by the replacement of OTC Clear as counterparty to Clearing Member B (in respect of its Client Position Account relating to the Relevant Client),

and are subject to any changes as a result of the operation of the Contract Terms (as supplemented by the Clearing Procedures) for that Contract;

- (b) one Contract is created between the Special Clearing House Participant and OTC Clear (as principal), under which:
 - (A) the rights and obligations of OTC Clear arising from the Economic Terms of such Contract will be the same as those of the Relevant Client under the economic terms of the Original Northbound Transaction; and
 - (B) the rights and obligations of the Special Clearing House Participant arising from the Economic Terms of such Contract will be the same as those the relevant PRC dealer had under the economic terms of the Original Northbound Transaction against the Relevant Client, except that such rights and obligations are modified by the replacement of OTC Clear as the counterparty to the Special Clearing House Participant,

and are subject to any changes as a result of the operation of the Contract Terms (as supplemented by the Clearing Procedures) for that Contract;

- (c) a cleared contract is created between the relevant PRC dealer and the Special Clearing House Participant in its capacity as a central clearing counterparty in the PRC, governed by and subject to the terms of the clearing rules of the Special Clearing House Participant; and
- (d) in respect of the Original Northbound Transaction between the Relevant Client and the relevant PRC dealer, upon the creation of the two Contracts under sub-paragraphs (a) and (b) above and the cleared contract under sub-paragraph (c) above, the rights and obligations of the parties to the corresponding Original Northbound Transaction will be automatically and completely discharged and of no further force or effect, save and except for any amounts which are due and payable (or deliverable) by one party to the other prior to the Registration Time pursuant to the terms of such Original Northbound Transaction and which remain unpaid (or undelivered).

8A08. When an Original Northbound Transaction is submitted for registration, the relevant party shall specify (i) whether such Original Northbound Transaction is being submitted for registration as part of a Clearing Member's Client Clearing Services and (ii) to which of the relevant Clearing Member's Position Account the corresponding Contract(s) should be booked, in accordance with the following:

- (1) each Contract created under Clearing Rule 8A07(1)(a) should be booked to the House Position Account of the Clearing Member who was party to the corresponding Original Northbound Transaction; and
- (2) each Contract created under Clearing Rule 8A07(2)(a) should be booked to a Client Position Account relating to the relevant Client.

Any Contract arising as a result of submission of an Original Northbound Transaction by a Designated Person on behalf, and in the name, of a Clearing Member shall be recorded to such Clearing Member's House Position Account.

- 8A09. Each Contract created under Clearing Rule 8A07 shall be governed by the applicable Contract Terms for that Contract. OTC Clear's obligations and liabilities under any Contract shall be limited to those pursuant to the Clearing Documentation.
- 8A10. The Contracts created under Clearing Rules 8A07(1)(b) and 8A07(2)(b) shall also be governed by and subject to the terms of the SHCH Clearing Rules and the SHCH Clearing Guidelines.
- 8A11. Each Clearing Member agrees to be bound by each Contract pursuant to the particulars submitted by it or its Designated Person that is entered in such Clearing Member's name as principal and not as agent, and on the terms set out in the Clearing Documentation.
- 8A12. The Transaction Register, or such other record as OTC Clear shall accept in its sole discretion, shall constitute conclusive evidence of Contracts which have been validly made unless OTC Clear otherwise determines. The relevant reports published by OTC Clear in reliance or, on the basis, of the Transaction Register shall be final and conclusive in determining whether a Contract has been registered with, or de-registered by, OTC Clear.
- 8A13. Following the creation of a Contract with effect from the Registration Time of such Contract:
- (1) such Contract will be a "market contract" as defined in, and for purposes of, the SFO;
 - (2) each relevant Clearing Member shall, or shall procure its Designated Person, to the extent applicable, to update its books and records to reflect such registration;
 - (3) notwithstanding any non-performance of a party's obligations under the Original Northbound Transaction, or any invalidity, unenforceability, revocation or avoidance of the Original Northbound Transaction, the terms and validity of the corresponding Contracts shall remain in full force and effect; and
 - (4) notwithstanding the occurrence of any Insolvency Proceedings with respect to a Clearing Member or Special Clearing House Participant in whose name a Contract is registered during or prior to the Registration Time of such Contract, and regardless of whether OTC Clear is aware, or could reasonably be expected to be aware, of such occurrence of Insolvency Proceedings, the Contract, once created, shall remain in full force and effect.

Other amendments

- 8A14. Clearing Rules 812 to 814B, 816 and 821(7) shall apply *mutatis mutandis* to the Original Northbound Transactions, where:

- (1) references to “Original Transactions” shall include Original Northbound Transactions;
- (2) references to “Clearing Member” in Clearing Rules 814, 814A and 814B (except 814B(5) and 814B(6)) shall include the Special Clearing House Participant;
- (3) payments made for the purposes of satisfying any end-of-day Variation Margin requirements in Clearing Rules 814(2) and 814B(4) shall exclude Participation Margin and Inter-CCP Margin Amount; and
- (4) payments made for the purposes of satisfying any end-of-day Variation Margin requirements in Clearing Rules 814B(5) and 814B(6) shall exclude Participation Margin.

8A15. Clearing Rules 815 to 837 shall apply *mutatis mutandis* to Contracts relating to Original Northbound Transactions.

8A16. If OTC Clear determines under Clearing Rule 814(3) that the value of an Error Contract has changed between the time when the Variation Margin was last calculated and when such Error Contract was terminated, then a payment representing such difference in value shall be made between the original swap counterparties to such relevant Original Northbound Transaction which was novated into the relevant Error Contract. Any payment made pursuant to the immediately foregoing sentence will be made outside of the Rates and FX Clearing System, and shall fully discharge a party’s obligations under such Error Contract.

Suspension of the Participantship of the Special Clearing House Participant or Clearing Link Services

8A17. If the Clearing Link Services have been suspended due to any reason, including without limitation, the occurrence of an SHCH Event of Default, an OTC Clear Failure to Pay SHCH Event, an OTC Clear Insolvency Event, or a Force Majeure Event or Illegality with respect to OTC Clear or the Special Clearing House Participant:

- (1) no new Standard Northbound Rates Derivatives Contracts may be entered into between OTC Clear and the Clearing Members unless otherwise directed by, or with the consent of, OTC Clear;
- (2) any payment obligations OTC Clear has towards the Clearing Members under Contracts whose terms are equal but opposite to the Inter-CCP Rates Derivatives Contracts may be suspended by OTC Clear. Any suspension of payment obligations by OTC Clear pursuant to this subparagraph (2) shall not constitute failure to pay on the part of OTC Clear;
- (3) the suspension shall not in any way affect the validity or enforceability of any Contract or other agreement or arrangement in relation to the Clearing Link Services entered into prior to such suspension; and
- (4) notice of suspension of Participantship of the Special Clearing House Participant and the Clearing Link Services shall be given by OTC Clear as soon as reasonably practicable to all Clearing Members.

8A18. At any time during the suspension, OTC Clear may notify the Clearing Members of the resumption of the Participantship of the Special Clearing House Participant and the Clearing Link Services.

Termination of the Participantship of the Special Clearing House Participant or Clearing Link Services

8A19. If the Clearing Link Services are terminated, OTC Clear may declare the occurrence of a Contract Termination Event in respect of all Contracts between OTC Clear and all Non-Defaulting Clearing Members in whole as Identified Contracts and invoke the contract termination process as provided for in Clearing Rules 1918A and 1918AA respectively.

Chapter 9 Accounts

Position Accounts

902. OTC Clear shall, with respect to each Clearing Member, open one House Position Account and may open one or more Client Position Accounts, in each case, in accordance with the Clearing Documentation, where:
- (1) a **“House Position Account”** is a book-keeping account opened by a Clearing Member with OTC Clear in order to book Contracts in respect of such Clearing Member’s own account;
 - (2) a **“Client Clearing Category 1 Position Account”** is a book-keeping account opened by a Clearing Member with OTC Clear in order to book Contracts in respect of its Client Clearing Services provided to a single Client only; and
 - (3) a **“Client Clearing Category 2 Position Account”** is a book-keeping account opened by a Clearing Member with OTC Clear in order to book Contracts in respect of one or more Clients sharing the same account on an omnibus net basis, where the Contracts in respect of such Clients are recorded/booked on a gross basis and Margin in respect of Contracts in the whole Client Clearing Category 2 Position Account are calculated on a net basis in accordance with Clearing Rules 1012 to 1015.

Collateral Accounts

903. A **“Collateral Account”** is a book-keeping account opened in the books of OTC Clear for the purpose of identifying the type(s) and amount of Collateral provided by each Clearing Member to meet its Margin requirements in respect of each of its Position Account(s). OTC Clear shall maintain:
- (1) a House Collateral Account in respect of its House Position Account;
 - (1A) a Participating Margin Collateral Account in respect of its own and all its Client’s exposure to their Standard Northbound Rates Derivatives Contracts;
 - (2) a separate Client Clearing Category 1 Collateral Account in respect of each Client Clearing Category 1 Position Account; and
 - (3) a separate Client Clearing Category 2 Collateral Account in respect of each Client Clearing Category 2 Position Account.
904. Cash Collateral provided by a Clearing Member for the purpose of satisfying its Margin requirements will be delivered by way of outright transfer and will be held by OTC Clear in accordance with the Clearing Procedures, whereas non-cash Collateral provided by a Clearing Member for the purpose of satisfying its Margin (excluding Participating Margin) requirements will be transferred to OTC Clear by way of security interest in accordance with the Clearing Procedures.

Accounts for Holding of Non-Cash Collateral

909. OTC Clear may hold non-cash Collateral in the accounts of its Custodian(s) in the following manner:

- (1) non-cash Collateral received in respect of Margin requirements of all the Clearing Members' House Accounts shall be held in one commingled account; and
- (2) non-cash Collateral received in respect of Margin requirements of all the Clearing Members' Client Accounts shall be held in one commingled account,

in each case separate from any account holding OTC Clear's own assets.

Chapter 10 Payments

Reimbursement of Costs and Expenses

1002A. Upon the occurrence of a Notional Exchange Failure OTC Clear may, in its absolute discretion, effect Mitigating Measures under section 3.19 of the Clearing Procedures in respect of that Notional Exchange Failure. The Non-delivering Clearing Member in respect of a Notional Exchange Failure shall:

- (1) immediately upon demand by OTC Clear, indemnify OTC Clear against all fees, liabilities or Damage incurred by OTC Clear as a result of it effecting any Mitigating Measures in respect of that Notional Exchange Failure; and
- (2) for the purpose of collateralising its liabilities to OTC Clear (including its obligation to indemnify OTC Clear pursuant to Clearing Rule 1002A(1)), provide Collateral in the form of cash on an outright transfer basis, in such amount and at such time as may be requested by OTC Clear ("**Notional Exchange Failure Margin**").

If a Clearing Member fails to comply with this Rule, OTC Clear may, on the basis of such failure, determine that that Clearing Member is or appears to be unable, or likely to become unable, to meet its obligations in respect of the Clearing Documentation and/or one or more Contracts to which it is party, such that an Event of Default occurs with respect to that Clearing Member pursuant to Clearing Rule 1301.

Income on Cash Collateral

1005. OTC Clear may, but is under no obligation to, pay an amount to Clearing Members representing any income received by OTC Clear on cash Collateral transferred to OTC Clear in satisfaction of its Initial Margin, Additional Margin and/or Participating Margin requirements as further described in section 7.6.1.1 of the Clearing Procedures.

Payments Calculation

1012. On each OTC Clear Clearing Day and on each Northbound Clearing Day, OTC Clear will determine the amounts payable by or to each Clearing Member in respect of its Position Account(s) and shall advise each Clearing Member of such amounts in accordance with the method of communication set out in the Clearing Procedures.

Chapter 12 Margin for Clearing Members

Margin and Collateral

1202. OTC Clear will determine the amount of Initial Margin, Additional Margin, Participating Margin and Variation Margin payable by or (in some cases in respect of Variation Margin) to each Clearing Member in accordance with the Clearing Procedures.
1203. Margin (including Initial Margin, Additional Margin, Participating Margin and Variation Margin) in respect of the House Position Account and each Client Position Account, if any, of a Clearing Member will be calculated by OTC Clear separately and shall be satisfied by a Clearing Member in the manner set out in the Clearing Procedures.

Initial Margin, Additional Margin, Participating Margin, Variation Margin, and Intra-day Variation Margin

1204. Each Clearing Member shall deliver sufficient Collateral as Margin as a pre-condition for (i) the registration of an Original Transaction or Original Northbound Transaction by OTC Clear and (ii) the implementation of an Unwind Proposal by OTC Clear.
1205. OTC Clear shall calculate and, where appropriate, demand Initial Margin on each OTC Clear Clearing Day, Northbound Clearing Day and Compression Execution Date, as applicable. In addition, OTC Clear may, from time to time, in its absolute discretion and on any OTC Clear Clearing Day, Northbound Clearing Day and Compression Execution Date, make an intra-day call for Initial Margin.
- 1205A. OTC Clear shall calculate and, where appropriate, demand Participating Margin on each Northbound Clearing Day. In addition, OTC Clear may, from time to time, in its absolute discretion and on any Northbound Clearing Day, make an intra-day call for Participating Margin.
1206. OTC Clear shall calculate the Variation Margin payable by or to a Clearing Member on each OTC Clear Clearing Day and Northbound Clearing Day. If such calculation indicates an increase in the Variation Margin payable by a Clearing Member, OTC Clear will be entitled to demand additional Collateral from such Clearing Member.
1207. OTC Clear may on any OTC Clear Business Day demand Routine Intra-day Variation Margin from one or more Clearing Members. In addition, OTC Clear may on any OTC Clear Clearing Day and Northbound Clearing Day demand from, or pay to, a Clearing Member Ad Hoc Intra-day Variation Margin. The amount of any Routine Intra-day Variation Margin or Ad Hoc Intra-day Variation Margin shall be calculated by OTC Clear using such methods as prescribed in the Clearing Procedures.

Margin Settlement

- 1209A. Save where the Clearing Procedures require otherwise, Participating Margin requirements must be satisfied by payment in cash in any Eligible Inter-CCP Currency.
1212. If any Margin (excluding Participating Margin) falls due and the Margin Balance of the relevant Clearing Member is insufficient to cover its Margin requirements as determined by OTC Clear, such Clearing Member shall deliver such Collateral in such form and manner and at or prior to the time specified in the Clearing Procedures. In addition, the relevant Clearing Member shall deliver Collateral specified in the Clearing Procedures, separately from its Margin Balance, if any Participating Margin falls due and the Participating Margin Balance is insufficient to cover its Participating Margin requirements as determined by OTC Clear. A Clearing Member may transfer Excess Margin or Excess Participating Margin to the relevant Collateral Account to satisfy its Participating Margin or Margin requirements respectively.
1213. Cash delivered by Clearing Members to OTC Clear for satisfaction of their Margin or Participating Margin requirements will be held by OTC Clear in accordance with the Clearing Procedures, provided that OTC Clear has the power to use any cash Collateral transferred outright to it by Clearing Members as Participating Margin to satisfy its Inter-CCP OTCC Margin Amount. Nothing in these Clearing Rules intends to create in favour of OTC Clear any mortgage, charge, lien, pledge, encumbrance or other security interest in any cash Collateral transferred by a Clearing Member to OTC Clear pursuant to these Clearing Rules. OTC Clear has the power to invest any cash Collateral delivered to it in accordance with its investment policy. OTC Clear may perform any such investment itself as it sees fit, or it may engage an independent third party to perform such investment.

A Clearing Member who intends to transfer non-cash Collateral for purposes of satisfying its Margin requirements shall execute all necessary documentation as may be required by OTC Clear in order to create, and perfect, a valid security interest over the relevant assets. OTC Clear will not re-use, rehypothecate or re-invest any non-cash Collateral delivered by Clearing Members as Margin. If OTC Clear accepts non-cash Collateral from Clearing Members as Margin, then the manner in which OTC Clear will hold such non-cash Collateral will be set out in the Clearing Procedures.

Acceptable Collateral for Margin and Rates and FX Contribution

1214. OTC Clear may restrict or add to the types of Eligible Currencies, Eligible Inter-CCP Currencies and acceptable Collateral, or modify any valuation procedures or haircuts set out in Chapter 7 of the Clearing Procedures, or impose a maximum on the amount of each type of Eligible Currency, Eligible Inter-CCP Currency or Collateral which OTC Clear may accept for purposes of satisfying Margin requirements or Rates and FX Liability. In respect of any eligible non-cash Collateral, OTC Clear will only accept delivery of such non-cash Collateral if it is delivered in minimum tradable board lot size applicable to such non-cash Collateral and acceptable to OTC Clear's custodians. OTC Clear will use reasonable endeavours to provide Clearing Members with three-months' advance

written notice prior to removing any Collateral from the then existing list of Eligible Currencies and acceptable Collateral. For the avoidance of doubt, OTC Clear may add to the types of Eligible Currencies, Eligible Inter-CCP Currencies and acceptable Collateral, or modify any valuation procedures or haircuts set out in the Clearing Procedures, at any time as it thinks fit. The value of any instruments which are not Eligible Currencies, Eligible Inter-CCP Currencies or acceptable Collateral will not be taken into account in determining the Margin Balance or Participating Margin Balance of such Clearing Member.

1215. OTC Clear may at any time, in its sole and absolute discretion, require a Clearing Member to transfer cash in other Eligible Currencies, other Eligible Inter-CCP Currencies or other types of Collateral to it in substitution for any Collateral already transferred to it.
- 1216A. OTC Clear may incur charges or costs or receive negative interest rates when investing any Participating Margin or Rates and FX Contribution delivered in the form of cash by Clearing Members (including when posting any such cash comprising Participating Margin as part of the Inter-CCP OTCC Margin Amount). If it does so, OTC Clear shall be entitled to demand reimbursement of such amounts from the relevant Clearing Members.
1217. A Clearing Member may provide Collateral in excess of the Initial Margin, Additional Margin and/or Participating Margin requirements applicable to any of its Position Account(s). Any such Collateral provided by a Clearing Member will be credited to the Collateral Account designated by the Clearing Member and shall form part of the Margin Balance and/or Participating Margin Balance relating to such Collateral Account. In addition, any Collateral provided for the purpose of satisfying Routine Intra-day VM Call and Ad Hoc Intra-day VM Call on an OTC Clear Business Day pursuant to Clearing Rule 1211 will not be taken into account when OTC Clear performs its end-of-day Variation Margin calculation in respect of the relevant Position Account on such day, and such Collateral shall form part of the Margin Balance relating to the relevant Collateral Account of such Clearing Member.
1218. A Clearing Member may request OTC Clear to redeliver Collateral in equivalent form and currency as any Collateral it has delivered to OTC Clear as Margin and Participating Margin in a value not exceeding the Excess Margin and the Excess Participating Margin respectively; provided that if it has opted to utilize its Excess Margin under Clearing Rule 1218A, it may only request such redelivery after it has notified OTC Clear in the manner described in section 3.9.1 or section 3.10.2, as the case may be, of the Clearing Procedures. A Clearing Member shall specify the exact form and currency of the relevant Collateral requested to be redelivered. Following receipt of such request, OTC Clear will deliver to such Clearing Member (in the manner described in section 4.7 of the Clearing Procedures) Collateral in equivalent form and currency as requested in an amount not exceeding the Excess Margin and Excess Participating Margin, except that OTC Clear may deliver Collateral in other form or currency determined by OTC Clear if:

- (1) with respect to a Defaulting Clearing Member only, the relevant Collateral is delivered prior to any DMP Event and such Collateral or part thereof was applied in such DMP Event; or
- (2) any part of the Collateral is of a type or currency that is subject to any foreign exchange or other settlement risk or disruption, as determined by OTC Clear, at the time such Collateral is due to be redelivered to Clearing Members.

Rights relating to Collateral in respect of Margin and Rates and FX Contribution and Representations of Clearing Members

1220A. Each Non Rule-Based Clearing Member represents and warrants to OTC Clear that:

- (1) 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 each Client by or pursuant to any Security Deed have been effected and are in full force and effect; and
- (2) any Security Deed creates in favour of each Client identified therein security over the relevant Client Entitlement in respect of such Client that is legal, valid, binding and enforceable, in accordance with the terms of such deed.

The representations and warranties made by a Non Rule-Based Clearing Member pursuant to this Clearing Rule 1220A shall be deemed to be repeated by such Clearing Member on each day on which an Original Transaction or Original Northbound Transaction is submitted for registration as part of such Clearing Member's Client Clearing Services and each day on which Collateral is delivered to OTC Clear pursuant to these Clearing Rules and in connection with such Clearing Member's Client Clearing Services.

Position Limits and Notional Exchange Risk Limits

1223. If a Clearing Member exceeds any Position Limits or Notional Exchange Risk Limits imposed, that Clearing Member must immediately notify OTC Clear and take appropriate steps to ensure that, within such period as OTC Clear may specify, it is in compliance with such Position Limits or Notional Exchange Risk Limits, as the case may be. In addition, OTC Clear may, at its discretion:

- (1) require a Clearing Member to enter into risk-reducing Contracts, including, without limitation, the measures described in section 3.20 of the Clearing Procedures with respect to any exceedance of a Notional Exchange Risk Limit;
- (2) demand such Additional Margin as OTC Clear in its discretion determines including, without limitation, Additional Margin be provided in specific settlement currency(ies) with respect to any exceedance of a Notional Exchange Risk Limit; and/or
- (3) take such other action as OTC Clear in its discretion determines.

As further described in section 4.6.1 of the Clearing Procedures, OTC Clear will not register any Original Transactions or Original Northbound Transactions submitted by a Clearing Member (or by a Designated Person on its behalf) if registration of any such Original Transactions or Original Northbound Transactions will result in a breach of any Position Limits applicable to such Clearing Member.

Chapter 13 Default Procedures

Calculations of Net Payment following a Clearing Member Event of Default

1306A. Subject to Clearing Rules 1530 to 1540, subsequent to the completion of the Default Management Process with respect to a Defaulting Clearing Member (including, for the avoidance of doubt, the processes described in Clearing Rules 1516(1), 1516(2) and 1914) and the occurrence of an Early Termination Date in respect of all of the Defaulting Clearing Member's Contracts, for the purposes of Part 5 of Schedule 3 to the SFO, the single net sum payable by OTC Clear to such Defaulting Clearing Member, or by such Defaulting Clearing Member to OTC Clear, in respect of each capacity of the Defaulting Clearing Member relating to the House Account(s) and the Client Accounts of Non-Porting Clients shall be determined as follows:

- (1) OTC Clear will determine the aggregate trade value in respect of all of the Contracts in the relevant Position Account in accordance with Clearing Rule 1307. Such aggregate trade value may be zero, positive or negative. A positive aggregate trade value indicates an overall sum being payable by OTC Clear to the Defaulting Clearing Member in respect of such capacity; and a negative aggregate trade value indicates an overall sum being payable by the Defaulting Clearing Member to OTC Clear in respect of such capacity;
- (2) if the aggregate trade value determined pursuant to sub-paragraph (1) above is a negative number, such value shall be netted against the value (expressed as a positive number) of all Collateral (including the proceeds of the realization of such Collateral) held by OTC Clear in respect of such capacity as Initial Margin, Additional Margin, Routine Intra-day Variation Margin and Ad Hoc Intra-day Variation Margin in respect of the relevant Position Account and comprising the Margin Balance of the corresponding Collateral Account and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Member, each as at the Early Termination Date, reflecting the application of such resources towards (i) Unpaid Amounts in respect of the relevant Position Account pursuant to Clearing Rules 1516(1)(a) or 1516(2)(a), as applicable, (ii) the Auction Losses and/or Contract Termination Losses relating to the relevant Position Account pursuant to Clearing Rule 1914(1) and (iii) in the case of the House Position Account, General Losses pursuant to Clearing Rule 1516(1)(a). If the aggregate trade value determined pursuant to sub-paragraph (1) above is zero or a positive number, such value shall be aggregated with the value (expressed as a positive number) of all Collateral (including any proceeds of the realization of such Collateral) held by OTC Clear in respect of such capacity as Initial Margin, Additional Margin, Routine Intra-day Variation Margin and Ad Hoc Intra-day Variation Margin in respect of the relevant Position Account and comprising the Margin Balance of the corresponding Collateral Account and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Member, each as at the Early Termination Date;

- (3) if the net sum determined pursuant to sub-paragraph (2) above in respect of the House Position Account is a positive number (a **"House Credit"**), such House Credit shall be used to set off against each negative net sum determined pursuant to sub-paragraph (2) above for a Client Account of Non-Porting Client(s) (a **"Non-Porting Client Deficit"**), by applying such House Credit to each Non-Porting Client Deficit in the proportion that the absolute value of the Non-Porting Client Deficit of each particular Client Account bears to the absolute value of the aggregate of the Non-Porting Client Deficits for all Client Accounts of Non-Porting Clients of the Defaulting Clearing Member; and
 - (4) if the net sum determined pursuant to sub-paragraphs (1) to (2) above for a Client Account of a Non-Porting Client(s) is a positive number, such amount (the **"Non-Porting Client Credit"**) shall form part of the Client Entitlement to be returned to the Client(s) pursuant to Clearing Rule 1309. If the net sum determined pursuant to sub-paragraph (3) above for a Client Account of a Non-Porting Client(s) remains a negative number (a **"Remaining Non-Porting Client Deficit"**), such amount shall be further netted as set out in Clearing Rule 1306B below. At the end of the processes referred to in sub-paragraphs (1) to (3) above, in respect of each Client Account of Non-Porting Client(s), OTC Clear shall certify a single net sum as being payable by OTC Clear to the Defaulting Clearing Member (in the case of Client Accounts with a Non-Porting Client Credit) or by the Defaulting Clearing Member to OTC Clear (in the case of Client Accounts with a Remaining Non-Porting Client Deficit) or, if there is no such net sum (in the case of Client Accounts where a Non-Porting Client Deficit becomes zero), OTC Clear shall certify that fact.
- 1306B. If the net sum determined pursuant to Clearing Rule 1306A(2) in respect of the House Position Account is a negative number or, in the case of a Client Account with a Remaining Non-Porting Client Deficit:
- (1) such negative sum shall then be further netted against the value (expressed as a positive number) of all Collateral (including the proceeds of the realization of such Collateral) held by OTC Clear as:
 - (a) the Participating Margin Balance recorded in such Defaulting Clearing Member's Participating Margin Collateral Account and the Rates and FX Contribution Balance recorded in such Defaulting Clearing Member's GF Account as at the Early Termination Date to the extent that any Rates and FX Losses are allocated to such Defaulting Clearing Member in accordance with Clearing Rules 1516(1)(b), 1516(1)(c), 1516(2)(b), 1516(2)(c), 1914(2), 1914(3) and 1916(2), and in the amount of such Rates and FX Losses allocated;
 - (b) any remaining Participating Margin Balance relating to such Defaulting Clearing Member that is not allocated pursuant to sub-paragraph (1)(a) above after taking into account any application of such remaining Participating Margin Balance by OTC Clear pursuant to Clearing Rule 1548; and

- (c) any remaining Rates and FX Contribution Balance relating to such Defaulting Clearing Member that is not allocated pursuant to sub-paragraph (1)(a) above after taking into account any application of such remaining Rates and FX Contribution Balance by OTC Clear pursuant to Clearing Rule 1548,

so as to produce a single net sum (if any) payable by or to the Defaulting Clearing Member;

- (2) (i) the net sum of the House Account and each Client Account of Non-Porting Client(s) determined pursuant to sub-paragraph (1) above, (ii) any unused Participating Margin Balance recorded in such Defaulting Clearing Member's Participating Margin Collateral Account after being applied pursuant to Clearing Rules 1516(1)(b), 1516(2)(b) and 1914(2) and taking into account the operation of Clearing Rule 1548 and (iii) any unused Rates and FX Contribution Balance recorded in such Defaulting Clearing Member's GF Account after being applied pursuant to Clearing Rules 1516(1)(c), 1516(2)(c) and 1914(3) and taking into account the operation of Clearing Rule 1548 shall be aggregated to arrive at a further net sum. If the further net sum determined is a positive number, then OTC Clear shall pay such net sum to the Defaulting Clearing Member, and if the further net sum determined is a negative number, then the Defaulting Clearing Member shall pay such net sum to OTC Clear;
- (3) any property which has been provided by the Defaulting Clearing Member as market collateral shall cease to be market collateral (for the purpose of this sub-paragraph, the term "market collateral" bears the meaning set out in section 18 of the SFO); and
- (4) OTC Clear shall certify the net sum referred to in this Clearing Rule 1306B as being payable by OTC Clear to the Defaulting Clearing Member or by the Defaulting Clearing Member to OTC Clear, or, if there is no such net sum, OTC Clear shall certify that fact.

1306C. If the net sum determined pursuant to Clearing Rule 1306A(2) in respect of the House Position Account is zero, if there is a House Credit and no Non-Porting Client Deficits or, if there is a surplus after applying the House Credit to each Non-Porting Client Deficit pursuant to Clearing Rule 1306A(3), then:

- (1) such amount shall then be aggregated with the value (expressed as a positive number) of all Collateral (including the proceeds of the realization of such Collateral) held by OTC Clear as:
 - (a) the Participating Margin Balance recorded in such Defaulting Clearing Member's Participating Margin Collateral Account and the Rates and FX Contribution Balance recorded in such Defaulting Clearing Member's GF Account as at the Early Termination Date to the extent that any Rates and FX Losses are allocated to such Defaulting Clearing Member in accordance with Clearing Rules 1516(1)(b), 1516(1)(c), 1516(2)(b), 1516(2)(c), 1914(2), 1914(3) and 1916(2), and in the amount of such Rates and FX Losses allocated;

- (b) any remaining Participating Margin Balance relating to such Defaulting Clearing Member that is not allocated pursuant to sub-paragraph (1)(a) above after taking into account any application of such remaining Participating Margin Balance by OTC Clear pursuant to Clearing Rule 1548; and
- (c) any remaining Rates and FX Contribution Balance relating to such Defaulting Clearing Member that is not allocated pursuant to sub-paragraph (1)(a) above after taking into account any application of such remaining Rates and FX Contribution Balance by OTC Clear pursuant to Clearing Rule 1548,

so as to produce a single net sum (if any) payable to the Defaulting Clearing Member.

Any property which has been provided by the Defaulting Clearing Member as market collateral shall cease to be market collateral (for the purpose of this sub-paragraph, the term “market collateral” bears the meaning set out in section 18 of the SFO); and

- (2) OTC Clear shall certify the net sum referred to in this Clearing Rule 1306C as being payable by OTC Clear to the Defaulting Clearing Member or, if there is no such net sum, OTC Clear shall certify that fact.

Indemnity

1316. Each Clearing Member shall indemnify OTC Clear, its Affiliate and a recognized exchange controller which is the controller of OTC Clear and keep OTC Clear, its Affiliate and a recognized exchange controller which is the controller of OTC Clear indemnified from and against any loss, cost (including cost of enforcement), interests, liability (including any tax or other fiscal liability), claim or Damage which OTC Clear, its Affiliate and a recognized exchange controller which is the controller of OTC Clear:

- (1) incurred or suffered as a consequence of such Clearing Member's conduct, or a breach of any of such Clearing Member's obligations under the Clearing Documentation or the terms of a Contract or any Applicable Laws, including as a consequence of OTC Clear acting upon the instructions of a Clearing Member's Designated Person(s) in connection with any Original Transaction submitted by such Designated Person(s) on behalf, and in the name, of the Clearing Member;
- (2) incurred or suffered directly in connection with OTC Clear's ensuring the settlement of a Contract in the case of a DMP Event relating to any other Clearing Member or the Special Clearing House Participant, whether or not OTC Clear takes any steps pursuant to Clearing Rule 1305 or any other steps under these Clearing Rules, provided that the aggregate amount indemnified by any Non-Defaulting Clearing Member (i) in respect of one or more DMP Events and each Capped Liability Period, shall not exceed its Maximum Current Liability and shall be satisfied by application of its Rates and FX Contribution Balance in accordance with Clearing Rule 1549 and (ii) in respect of a DMP Event relating to the Special Clearing House Participant

and each Capped Liability Period, shall not exceed the sum of its Maximum Current Liability and its Participating Margin Balance, and shall be satisfied by application of its Participating Margin Balance and Rates and FX Contribution Balance in accordance with Clearing Rule 1549. For the avoidance of doubt, the Participating Margin Balance (if any) of a Clearing Member shall only be applicable in respect of a DMP Event relating to itself as the Defaulting Clearing Member or the Special Clearing House Participant; or

- (3) incurred or suffered in connection with any actions taken by OTC Clear or any actions that OTC Clear is required to take to comply with any obligations relating to the Tax Information Exchange Framework (or fails to take relating to Withholding Tax obligations) with respect to such Clearing Member.

OTC Clear Default

OTC Clear Insolvency Event

1322. Upon the occurrence of an OTC Clear Insolvency Event, a Non-Defaulting Clearing Member may designate an Early Termination Date for the termination and liquidation of all Contracts then registered in its name.

1323. In the event that a Non-Defaulting Clearing Member delivers a notice to OTC Clear to terminate all of its Contracts then registered with OTC Clear pursuant to Clearing Rule 1322 as a result of the occurrence of an OTC Clear Insolvency Event, then all Contracts (including Standard Northbound Rates Derivatives Contracts) of all Clearing Members will be terminated with effect from (and including) the day that falls on the second OTC Clear Clearing Day following the date of delivery of such notice by the Non-Defaulting Clearing Member (such day being the “**Early Termination Date**” for the purpose of this Clearing Rule 1323) and Clearing Rule 1324 will apply to each Clearing Member. Upon receipt of a notice from a Non-Defaulting Clearing Member declaring the occurrence of an OTC Clear Insolvency Event, OTC Clear will notify all Clearing Members of (1) the occurrence of such event and (2) the Early Termination Date with respect to all outstanding Contracts registered in the name of all Clearing Members.

Calculations of Net Payment following OTC Clear Default

1324. Upon the designation of an Early Termination Date with respect to all Contracts then registered in the name of a Clearing Member pursuant to Clearing Rule 1320(1), 1321(1) or 1323:
- (1) all obligations of OTC Clear and such Clearing Member in respect of any such Contract between them shall cease to exist and be replaced with the obligation to pay the termination amounts determined under sub-paragraph (3) below. The close-out value for each Contract shall be determined in accordance with section 10.1 of the Clearing Procedures, provided that OTC Clear may also take into account any unpaid amounts that have become due and payable in respect of any Contract on or prior to the designation of the Early Termination Date;

- (2) any unused Margin Balance and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Member(s) then held by OTC Clear in respect of one or more Clearing Members shall be returned to the relevant Clearing Members in accordance with sub-paragraph (6) below; and any unused Participating Margin Balance and/or unused Rates and FX Contribution Balance then held by OTC Clear in respect of one or more Clearing Members shall be returned to the relevant Clearing Members in accordance with sub-paragraph (8)(d) below;
- (3) OTC Clear shall on, or as soon as reasonably practicable after, the Early Termination Date, calculate a net sum payable by or to each Clearing Member separately in relation to each Position Account registered in the name of such Clearing Member. In determining such net sum, OTC Clear will take into account the close-out values established for each Contract pursuant to sub-paragraph (1) above, and the value of all other amounts which is due to OTC Clear from the Clearing Member under these Clearing Rules or which is due to it from OTC Clear (other than OTC Clear's obligation to return any unused Margin Balance, any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the relevant Clearing Member or Former Clearing Member and/or unused Participating Margin Balance and/or unused Rates and FX Contribution Balance to the relevant Clearing Member or Former Clearing Member), in each case, whether future, liquidated or unliquidated, actual or contingent. There shall be no combining or set-off between any House Position Account and Client Position Account(s), or between two or more Client Position Accounts. OTC Clear will determine any such net sum payable by, or to, a Clearing Member in the Base Currency. For the purpose of the determination under this sub-paragraph (3), OTC Clear may convert any amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select;
- (4) If, pursuant to sub-paragraph (3) above, a net sum is determined to be payable by a Clearing Member to OTC Clear with respect to one or more of its Position Accounts, OTC Clear shall reduce each such sum by application of the Outright Transfer Margin Balance, if any, relating to the relevant Position Account. With respect to each Clearing Member and each of its Position Account(s), after application of the Outright Transfer Margin Balance relating to the relevant Position Account:
 - (a) if there remains a balance payable by the Clearing Member to OTC Clear for such Position Account (the "**CM Payable Balance**"), OTC Clear will, as soon as reasonably practicable, notify the relevant Clearing Member of the CM Payable Balance, and the relevant Clearing Member shall pay OTC Clear the CM Payable Balance within three OTC Clear Business Days following receipt of such notification; and

- (b) if the Clearing Member fails to pay the CM Payable Balance within the time frame set out in sub-paragraph (4)(a) above, OTC Clear may declare an Event of Default in respect of such Clearing Member. OTC Clear may, in satisfaction of any due but unpaid CM Payable Balance in respect of a Position Account, apply the proceeds of enforcement of any non-cash Collateral comprising the Margin Balance of the corresponding Collateral Account and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by such Clearing Member;
- (5) if, pursuant to sub-paragraph (3) above, a net sum is determined to be payable by OTC Clear to a Clearing Member with respect to one or more of its Position Accounts, each such sum shall form part of an OTC Clear Default CM Receivable with respect to the relevant Position Account;
- (6) with respect to each Clearing Member and each of its Position Account(s), taking into account (if applicable) the operation of sub-paragraph (4) above:
 - (a) any unused Outright Transfer Margin Balance and, if applicable, any remaining proceeds of enforcement of non-cash Collateral further to the application of sub-paragraph (4)(b) above for such Position Account shall be returned to the Clearing Member; and
 - (b) any non-cash Collateral provided to OTC Clear on a security interest basis and comprising the Margin Balance of the Collateral Account corresponding to such Position Account and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Member shall be redelivered to the Clearing Member in accordance with the relevant security document;
- (7) following the completion of the processes described in sub-paragraphs (4) to (6) above:
 - (a) OTC Clear shall, with respect to each Position Account (without regard to its obligation to return any unused Participating Margin Balance and/or unused Rates and FX Contribution Balance to the relevant Clearing Member or Former Clearing Member), determine the resulting net sum payable by a Clearing Member to OTC Clear for such Position Account (such sum, an “**OTC Clear Default Interim CM Payable**”), or the resulting net sum payable by OTC Clear to a Clearing Member for such Position Account (such sum, an “**OTC Clear Default CM Receivable**”);
 - (b) OTC Clear shall notify the relevant Clearing Member of its OTC Clear Default Interim CM Payable(s) or OTC Clear Default CM Receivable(s). Each Clearing Member that receives a notice to pay any OTC Clear Default Interim CM Payable shall pay each such amount to OTC Clear in full within three OTC Clear Business Days following receipt of such notification;

- (c) if a Clearing Member fails to pay any OTC Clear Default Interim CM Payable in full within the time frame set out in sub-paragraph (7)(b) above, regardless of whether such OTC Clear Default Interim CM Payable arises out of a House Position Account or Client Position Account belonging to such Clearing Member, OTC Clear may apply any unused Participating Margin Balance then held by OTC Clear in respect of such Clearing Member against the unpaid OTC Clear Default Interim CM Payable;
 - (d) with respect to a Clearing Member and each of its Position Account(s) with an OTC Clear Default Interim CM Payable, following the application of any unused Participating Margin Balance as described in sub-paragraph (7)(c) above, OTC Clear may apply any unused Rates and FX Contribution Balance then held by OTC Clear in respect of such Clearing Member against the unpaid OTC Clear Default Interim CM Payable;
 - (e) with respect to a Clearing Member and each of its Position Account(s) with an OTC Clear Default Interim CM Payable, following the application of any unused Rates and FX Contribution Balance as described in sub-paragraph (7)(d) above, OTC Clear shall determine the final net sum payable by the Clearing Member, if any (each a **"OTC Clear Default Final CM Payable"**) with respect to such Position Account, and notify such Clearing Member of the same. Each Clearing Member that receives a notice to pay any OTC Clear Default Final CM Payable shall pay each such amount to OTC Clear in full at or prior to the time specified by OTC Clear; and
 - (f) for the avoidance of doubt, a Clearing Member may have an OTC Clear Default Interim CM Payable or OTC Clear Default Final CM Payable in respect of one Position Account registered in its name, but an OTC Clear Default CM Receivable in respect of another Position Account registered in its name;
- (8) with respect to each Clearing Member who has an OTC Clear Default CM Receivable, and each Clearing Member or Former Clearing Member with any unused Participating Margin Balance and/or unused Rates and FX Contribution Balance (taking into account the operation of sub-paragraphs (7)(c) and (7)(d) above), OTC Clear shall pay each such Clearing Member or Former Clearing Member in proportion to the value of their respective claims on OTC Clear under sub-paragraph (7) above in the following manner:
- (a) OTC Clear shall, until the time specified in sub-paragraph (9) below, take reasonable steps to recover any unpaid OTC Clear Default Final CM Payables and may deduct from such amounts any reasonable costs in connection with such recovery;
 - (b) following receipt of all or some (if any Clearing Member defaults in its payment of the relevant OTC Clear Default Final CM Payable) OTC Clear Default Final CM Payables, OTC Clear will calculate a

percentage (“**OTC Clear Default Applicable Percentage**”) equal to the lesser of:

- (A) 100%; and
- (B) (I) the aggregate value of (i) the Rates and FX Guarantee Resources then held by OTC Clear, (ii) any Margin Balance and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Members or Former Clearing Members applied pursuant to Clearing Rules 1324(3) and/or 1324(4)(b) and (iii) all OTC Clear Default Final CM Payables received; divided by

(II) the aggregate value representing the sum of (i) all OTC Clear Default CM Receivables and (ii) any unused Participating Margin Balance and/or unused Rates and FX Contribution Balance then held by OTC Clear in respect of all Clearing Members or Former Clearing Members (taking into account the operation of subparagraphs (7)(c) and 7(d) above);
- (c) OTC Clear shall pay each Clearing Member with an OTC Clear Default CM Receivable an amount equal to the OTC Clear Default Applicable Percentage of such OTC Clear Default CM Receivable;
- (d) OTC Clear shall pay each Clearing Member or Former Clearing Member with unused Participating Margin Balance and/or unused Rates and FX Contribution Balance an amount equal to the OTC Clear Default Applicable Percentage of such unused Participating Margin Balance and/or unused Rates and FX Contribution Balance, provided that the aggregate sum payable by OTC Clear in respect of unused Participating Margin Balance and/or unused Rates and FX Contribution Balance for all Clearing Member(s) and Former Clearing Member(s) shall never exceed the value of the Rates and FX Guarantee Resources then held by OTC Clear. Once the Rates and FX Guarantee Resources have been exhausted, the unpaid balance of any unused Participating Margin Balance and/or unused Rates and FX Contribution Balance shall be extinguished; and
- (e) all payments made under this sub-paragraph (8) shall be made in the Base Currency provided that if OTC Clear does not have sufficient Base Currency to satisfy such payment, it may satisfy such payment obligation in any other Eligible Currency. For this purpose OTC Clear shall be entitled to convert any amounts denominated in the Base Currency into any other Eligible Currency (or vice versa) at such rate prevailing at the time of settlement as it shall reasonably select;
- (9) if OTC Clear determines that no further amounts in respect of any OTC Clear Default Final CM Payables are likely to be recovered and notifies the same to the relevant Clearing Member(s) and Former Clearing Member(s), then the

unpaid balance of any OTC Clear Default CM Receivable, unused Participating Margin Balance and/or unused Rates and FX Contribution Balance shall thereafter be extinguished and the relevant Clearing Member(s) and Former Clearing Member(s) shall have no further recourse to OTC Clear (its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives) in respect thereof; and

- (10) OTC Clear will, as soon as reasonably practicable, inform the SFC of the occurrence of an OTC Clear Failure to Pay Event or OTC Clear Insolvency Event upon becoming aware of the same.

Chapter 15 Rates and FX Guarantee Resources

Initial Rates and FX Contribution

1504. A Clearing Member shall, upon receipt of a notice of approval of its application to become a Clearing Member, deliver Collateral with an aggregate value, determined by OTC Clear in accordance with Chapter 7 of the Clearing Procedures, equal to the Rates and FX Minimum Contribution Amount plus such other amount as OTC Clear may determine at its discretion based on projected clearing activity of such Clearing Member as its initial contribution to the Rates and FX Guarantee Fund. OTC Clear will set out any such additional amount required from a Clearing Member as part of its initial contribution to the Rates and FX Guarantee Fund in the notice of approval to become a Clearing Member. A Clearing Member shall satisfy its initial contribution to the Rates and FX Guarantee Fund in full no later than five OTC Clear Business Days from the date of receipt of notice of approval, or if earlier, the day prior to it submitting its first Original Transaction or Original Northbound Transaction to OTC Clear for registration.

Rates and FX Assessments Demand

1507. If, following the occurrence of a DMP Event with respect to one or more Clearing Members or the Special Clearing House Participant:

- (1) the Rates and FX Contribution Balance of all Clearing Members (for the avoidance of doubt, excluding any amounts applied by OTC Clear in connection with the DMP Event, but including the value of any Rates and FX Contribution in respect of any earlier demand of Rates and FX Assessments) falls below, or is expected to fall below, 75% of the last calculated value of the Rates and FX Guarantee Fund; or
- (2) OTC Clear determines in its sole discretion that all cash or liquid resources comprising the Rates and FX Guarantee Fund then held by it have been utilized in full, or are expected to be utilized in full, regardless of whether the value of the Rates and FX Contribution Balance of all Clearing Members (for the avoidance of doubt, excluding any amounts applied by OTC Clear in connection with the DMP Event, but including the value of any Rates and FX Contribution in respect of any earlier demand of Rates and FX Assessments) have fallen below 75% of the last calculated value of the Rates and FX Guarantee Fund,

OTC Clear may issue a Rates and FX Assessments demand to each Non-Defaulting Clearing Member demanding it to contribute its CM Unfunded Contribution Amount to bring the total Rates and FX Contribution Balance of all Clearing Members to 100% of the last calculated value of the Rates and FX Guarantee Fund. If a Rates and FX Assessments demand is issued by OTC Clear under this Clearing Rule 1507, unless otherwise specified in Clearing Rule 1508(1)(a), each Clearing Member has an unconditional obligation to deliver its CM Unfunded Contribution Amount so demanded within one OTC Clear Business Day following receipt of such demand from OTC Clear. OTC Clear may issue multiple Rates and FX Assessments demands under this Clearing Rule 1507 following a DMP Event, provided that no such Rates and FX Assessments demands shall cause the Rates and FX Liability in respect of a

Clearing Member to exceed its Maximum Current Liability set out in Clearing Rule 1544.

Rates and FX Contribution due to Recalculations or Replenishments

1508. (1) Subject to sub-paragraph (2) below, if the Rates and FX Contribution Balance in respect of a Clearing Member is less than the then current Rates and FX Liability of that Clearing Member, OTC Clear will notify such Clearing Member of the updated CM Funded Contribution Amount in the Base Currency, and:
- (a) if the shortfall arises as a result of either market movement affecting the value of such Collateral or change in the applicable Collateral Haircut, or if OTC Clear determines there are wrong-way risk concerns, the Clearing Member shall deliver additional Collateral required to meet such shortfall to OTC Clear within one hour following receipt of such demand;
 - (b) in all other cases, the Clearing Member shall deliver additional Collateral required to meet such shortfall to OTC Clear within one OTC Clear Business Day following receipt of such demand;
- (2) save and except for the circumstance described in Clearing Rule 1510(2), following the occurrence of any DMP Event, any recalculation of the Rates and FX Guarantee Fund and Rates and FX Assessments shall be suspended until after the expiry of the relevant Capped Liability Period. Upon the expiry of a Capped Liability Period, OTC Clear will recalculate the Rates and FX Guarantee Fund, the Rates and FX Assessments and with respect to each Non-Defaulting Clearing Member, the Rates and FX Contribution Balance and the Rates and FX Liability relating to each such Non-Defaulting Clearing Member. In any such recalculation, and with respect to each Non-Defaulting Clearing Member, OTC Clear shall take into account any reduction in the Rates and FX Contribution Balance relating to such Non-Defaulting Clearing Member by the amount applied during the Default Management Process in respect of such Capped Liability Period in accordance with Clearing Rules 1516 and 1516A. If the Default Management Process(es) in respect of any DMP Event(s) relating to such Capped Liability Period has not been completed at the time of recalculation, OTC Clear shall, for the purpose of determining the Rates and FX Contribution Balance in sub-paragraph (1) above only, and only for so long as the relevant Default Management Process(es) have not been completed, treat the Rates and FX Contribution Balance prior to the end of the Capped Liability Period as having been applied in full regardless of whether such Rates and FX Contribution Balance have in fact been so applied, in whole or in part. Following completion of the relevant Default Management Process(es), OTC Clear will determine the reduction in the Rates and FX Contribution Balance with respect to each Clearing Member, and a Clearing Member may request the redelivery of Collateral in respect of any Rates and FX Contribution Excess in accordance with Clearing Rule 1546. Subject to sub-paragraph (3) below, any Rates and FX Contribution delivered by any Clearing Member following the expiry of such Capped

Liability Period shall not be applied in respect of any Rates and FX Loss arising out of any DMP Event occurring prior to the expiry of such Capped Liability Period; and

- (3) notwithstanding sub-paragraph (2) above, following the expiry of a Capped Liability Period, OTC Clear may apply any Rates and FX Contribution delivered to it prior to the end of such Capped Liability Period and may demand additional Rates and FX Assessments up to the Maximum Current Liability relating to such Capped Liability Period, in each case, for application in accordance with Clearing Rules 1516 and 1516A in respect of DMP Event(s) relating to such Capped Liability Period.

1511. Following the occurrence of any DMP Event, and completion of the related Default Management Process, provided that there is no ongoing Default Management Process relating to other DMP Events taking place at the relevant time, OTC Clear will determine any reduction in the OTC Clear Contribution by the amount applied during the Default Management Process in accordance with Clearing Rules 1516 and 1516A. If prior to the completion of a Default Management Process, a subsequent DMP Event occurs, OTC Clear will only determine any reduction in the OTC Clear Contribution at the time where all relevant Default Management Processes have been completed. To the extent that the OTC Clear First Contribution and/or OTC Clear Second Contribution have been utilized as a result of the operation of the Default Management Process(es), OTC Clear will replenish each of the OTC Clear First Contribution and OTC Clear Second Contribution to its original value using its retained earnings, provided that OTC Clear will only replenish the OTC Clear Second Contribution if the OTC Clear First Contribution has first been replenished in full to its original value. In either case, OTC Clear shall only replenish if and to the extent that OTC Clear's working capital after such replenishment shall not fall below the amount required for its continuous operation for the following 12 months (including but not limited to OTC Clear's ability to meet all its other actual, contingent or anticipated future liabilities (taking into account for these purposes the obligation of OTC Clear to redeliver Collateral in respect of Margin provided in the form of cash and any Rates and FX Liability to the relevant Clearing Members)).

OTC Clear Use of the Participating Margin Balance and Rates and FX Guarantee Resources

1514. Amounts standing to the credit of the Participating Margin Balance and the Rates and FX Guarantee Resources may only be applied in accordance with Clearing Rules 1516 and 1516A following the occurrence of a DMP Event or in the following limited circumstances:

- (1) to satisfy any amount due to OTC Clear by the Defaulting Clearing Member or by the Defaulting Special Clearing House Participant as a result of the occurrence of a DMP Event (including but not limited to Margin, Inter-CCP SHCH Margin Amount, amounts due pursuant to Contract Terms, fees, dues, assessments, fines and any costs and expenses of recovery against the Defaulting Clearing Member or the Defaulting Special Clearing House Participant); or
- (2) for the purposes described in Clearing Rules 1520 and 1521.

For the avoidance of doubt, the Participating Margin Balance with respect to a Clearing Member may be applied as set out in this Clearing Rule 1514 when the DMP Event is triggered with respect to that Clearing Member or the Special Clearing House Participant.

Reduction of Losses on a DMP Event and Application of the Rates and FX Guarantee Resources

1515. The total losses incurred by OTC Clear as a result of the occurrence of a DMP Event (the “**Rates and FX Loss**”) are:

- (1) all Auction Losses or Contract Termination Losses relating to each Auction Portfolio constructed as a result of such DMP Event;
- (2) any General Losses; and
- (3) Unpaid Amounts due from such Defaulting Clearing Member or the Defaulting Special Clearing House Participant to OTC Clear, excluding, for the avoidance of doubt, losses in respect of Contracts relating to Porting Clients.

1516. OTC Clear shall be entitled to apply its resources, in any manner or order including for the avoidance of doubt in an order which is different from the order described hereunder, for satisfaction of the Rates and FX Loss during a Default Management Process invoked as a result of the occurrence of a DMP Event with respect to a Defaulting Clearing Member, provided that upon completion of a successful Auction or the occurrence of a Contract Termination Event (as applicable) in respect of all Auction Portfolios relating to such DMP Event, it shall perform the loss allocation process set out below:

- (1) OTC Clear shall first determine the General Losses incurred by it as a result of the DMP Event and the extent to which there are any Unpaid Amounts due from such Defaulting Clearing Member to OTC Clear in respect of Contracts recorded in such Defaulting Clearing Member’s House Position Account, and reduce or bear such General Losses and Unpaid Amounts by application of the following resources in descending order as follows:
 - (a) first, the aggregate of (i) all Auction Payments (if any) received by OTC Clear with respect to one or more House Auction Portfolios constructed as a result of such DMP Event, (ii) any Unpaid Amounts due from OTC Clear to such Defaulting Clearing Member in respect of Contracts recorded in such Defaulting Clearing Member’s House Position Account, (iii) the Unsettled VM Amount in respect of the Auction Contracts and/or Auction Failed Positions comprised in House Auction Portfolio(s) (to the extent that such Unsettled VM Amount is payable by OTC Clear to the relevant Defaulting Clearing Member) (if any), (iv) the Margin Balance recorded to the House Collateral Account, any income and redemption proceeds on any non-cash Collateral recorded to the House Collateral Account and any proceeds of realization of any such non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Member and (v) the aggregate Contract Termination Net Payments payable by

- Non-Defaulting Clearing Members and the Special Clearing House Participant to OTC Clear as a result of a Contract Termination Event;
- (b) second, the Participating Margin Balance if applicable of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
 - (c) third, the Rates and FX Contribution Balance of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
 - (d) fourth, the OTC Clear First Contribution;
 - (e) fifth, the aggregate value of the Rates and FX Contribution Balance in respect of the CM Funded Contribution Amount of each Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517);
 - (f) sixth, the OTC Clear Second Contribution; and
 - (g) seventh, the aggregate value of the Rates and FX Contribution Balance in respect of the CM Unfunded Contribution Amount of each Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517);
- (2) To the extent that there are any Unpaid Amounts due from such Defaulting Clearing Member to OTC Clear in respect of Contracts recorded in such Defaulting Clearing Member's Client Position Account(s), OTC Clear shall reduce or bear each such Unpaid Amounts by application of the following resources in descending order as follows. In respect of such Unpaid Amounts due in respect of a Client Position Account:
- (a) first, the aggregate of (i) all Auction Payments (if any) received by OTC Clear with respect to one or more Client Auction Portfolios constructed as a result of such DMP Event which relate to such Client Position Account, (ii) any Unpaid Amounts due from OTC Clear to such Defaulting Clearing Member in respect of Contracts recorded in such Client Position Account, (iii) the Unsettled VM Amount in respect of the Auction Contracts and/or Auction Failed Positions comprised in Client Auction Portfolio(s) which relate to Contracts recorded in such Client Position Account (to the extent that such net amount is payable by OTC Clear to the relevant Defaulting Clearing Member) (if any), (iv) the Margin Balance recorded to the Client Collateral Account attributed to such Client Position Account, (v) any income and redemption proceeds on any non-cash Collateral recorded to the Client Collateral Account attributed to such Client Position Account and any proceeds of realization of any such non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Member and (vi) the aggregate Contract Termination Net Payments payable by Non-Defaulting Clearing Members and the Special Clearing House Participant to OTC Clear as a result of a Contract

- Termination Event relating to Contracts recorded in such Client Position Account;
- (b) second, the Participating Margin Balance if applicable of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
 - (c) third, the Rates and FX Contribution Balance of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
 - (d) fourth, the OTC Clear First Contribution;
 - (e) fifth, the aggregate value of the Rates and FX Contribution Balance in respect of the CM Funded Contribution Amount of each Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517);
 - (f) sixth, the OTC Clear Second Contribution; and
 - (g) seventh, the aggregate value of the Rates and FX Contribution Balance in respect of the CM Unfunded Contribution Amount of each Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517);
- (3) for the purposes of sub-paragraph (2)(a) above, the amount of Auction Payments in the form of risk concessions that shall be treated as “relating to” a Client Position Account shall be an amount equal to the product of:
- (A) with respect to an Auction Portfolio, the hypothetical Initial Margin with respect to the Contracts of that Client Position Account comprised in the relevant Auction Portfolio (calculated on a portfolio margining basis assuming that such Contracts were booked into a single separate hypothetical Client Position Account) divided by the aggregate of the hypothetical Initial Margin of all Client Position Accounts comprised in such Auction Portfolio (where such Auction Portfolio comprises Contracts originally booked to more than one Client Position Account, but the entire Client Position Account is not comprised in such Auction Portfolio, the hypothetical Initial Margin for each such partial Client Position Account shall be calculated on a portfolio margining basis disregarding the fact that such Client Position Account is not whole; for the avoidance of doubt, where such Auction Portfolio comprises Contracts originally booked to more than one Client Position Account and each entire Client Position Account is comprised in such Auction Portfolio, the Initial Margin of such Client Position Accounts shall be aggregated), in each case, such Initial Margin being calculated by OTC Clear in its sole and absolute discretion as at the latest practicable time immediately preceding the occurrence of the relevant DMP Event; and

- (B) the amount of Auction Payments in the form of risk concessions relating to the relevant Auction Portfolio referred to in sub-paragraph (3)(A) above; and
- (4) upon completion of the process described in sub-paragraphs (1) and (2) above, OTC Clear shall determine the Auction Losses or Contract Termination Losses with respect to each Auction Portfolio constructed as a result of the DMP Event, and shall reduce or bear such losses in accordance with Clearing Rules 1914 to 1916,

with respect to each DMP Event, the aggregate value of the resources described in sub-paragraphs (1)(a) to (1)(g) and (2)(a) to (2)(g) above is the **“Total Available Resources”** with respect to such DMP Event. The Total Available Resources, together with any Gainer VM Flow Adjustment and/or Voluntary Recap Amount received by OTC Clear pursuant to Clearing Rules 1524(2) and 1542, respectively, shall be the sole source of funds for satisfaction of the Rates and FX Loss arising out of the relevant DMP Event.

1516A. OTC Clear shall be entitled to apply its resources, in any manner or order including for the avoidance of doubt in an order which is different from the order described hereunder, for satisfaction of the Rates and FX Loss during a Default Management Process invoked as a result of the occurrence of a DMP Event with respect to the Special Clearing House Participant, provided that upon the occurrence of a Contract Termination Event relating to such DMP Event, OTC Clear shall determine the General Losses incurred by it as a result of the DMP Event with respect to the Special Clearing House Participant and the extent to which there are any Unpaid Amounts due from the Special Clearing House Participant to OTC Clear in respect of Contracts recorded in the Special Clearing House Participant’s House Position Account, and reduce or bear such General Losses and Unpaid Amounts by application of the following resources in descending order as follows:

- (1) first, the aggregate of (i) any Unpaid Amounts due from OTC Clear to the Special Clearing House Participant in respect of Contracts recorded in the Special Clearing House Participant’s House Position Account, (ii) the Margin Balance in respect of the Special Clearing House Participant and (iii) the aggregate Contract Termination Net Payments payable by Non-Defaulting Clearing Members to OTC Clear as a result of a Contract Termination Event;
- (2) second, the OTC Clear Participation Contribution;
- (3) third, (to the extent that a DMP Event occurs with respect to the Special Clearing House Participant in the same Capped Liability Period) the aggregate value of each Defaulting Clearing Member’s Participating Margin Balance;
- (4) fourth, (to the extent that a DMP Event occurs with respect to the Special Clearing House Participant in the same Capped Liability Period) the aggregate value of each Defaulting Clearing Member’s Rates and FX Contribution Balance;

- (5) fifth, the aggregate value of each Non-Defaulting Clearing Member's Participating Margin Balance (by application in the manner set out in Clearing Rule 1516B);
- (6) sixth, the OTC Clear First Contribution;
- (7) seventh, the aggregate value of the Rates and FX Contribution Balance in respect of the CM Funded Contribution Amount of each Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517);
- (8) eighth, the OTC Clear Second Contribution; and
- (9) ninth, the aggregate value of the Rates and FX Contribution Balance in respect of the CM Unfunded Contribution Amount of each Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517),

with respect to each DMP Event with respect to the Special Clearing House Participant, the aggregate value of the resources described in sub-paragraphs (1) to (9) above is the **"Total Available Inter-CCP Resources"** with respect to such DMP Event. The Total Available Resources, together with any Gainer VM Flow Adjustment and/or Voluntary Recap Amount received by OTC Clear pursuant to Clearing Rules 1524(2) and 1542, respectively, shall be the sole source of funds for satisfaction of the Rates and FX Loss arising out of the relevant DMP Event.

1516B. Upon the occurrence of a Contract Termination Event with respect to all Standard Northbound Rates Derivatives Contracts as a result of the occurrence of a DMP Event with respect to the Special Clearing House Participant, and provided that the process described in Clearing Rule 1516A is completed, OTC Clear, in consultation with the Default Management Group, will perform the following loss allocation process with respect to each such Standard Northbound Rates Derivatives Contract. The amount of General Losses and Unpaid Amounts that shall be treated as "relating to" a Clearing Member's Participating Margin shall be an amount equal to the product of:

- (a) the hypothetical Initial Margin with respect to the Standard Northbound Rates Derivatives Contracts recorded to that Clearing Member's Position Accounts (including any Client Position Accounts) (calculated on a portfolio margining basis assuming that such Standard Northbound Rates Derivatives Contracts were booked into a single separate hypothetical Position Account) divided by the aggregate of the hypothetical Initial Margin of all Standard Northbound Rates Derivatives Contracts recorded to all Clearing Members' Position Accounts (where the entire Position Account is not comprised of Standard Northbound Rates Derivatives Contracts, the hypothetical Initial Margin for each such partial Position Account shall be calculated on a portfolio margining basis disregarding the fact that such Position Account is not whole), in each case, such Initial Margin being calculated as at the latest practicable time immediately preceding the occurrence of the relevant DMP Event as determined by OTC Clear in its sole and absolute discretion; and
- (b) the aggregate Participating Margin Balance utilised in accordance with Clearing Rule 1516A.

1517. OTC Clear will satisfy its claim under the indemnities given by each Non-Defaulting Clearing Member pursuant to Clearing Rule 1316(2) in respect of the Rates and FX Loss, by setting off the amount of loss calculated under Clearing Rules 1516(1)(e), 1516(1)(g), 1516(2)(e), 1516(2)(g), 1516A(4), 1516A(7), 1516A(9), 1516B, 1913A(5), 1913A(7), 1913B(5) and 1913B(7) against OTC Clear's obligation to pay the amount specified in Clearing Rule 1549.
1518. OTC Clear will notify the affected Clearing Members of any amounts applied pursuant to Clearing Rules 1516 and 1516A and, where applicable, notify Clearing Members of any obligations to deliver additional Collateral in respect of their respective Rates and FX Liability pursuant to Clearing Rule 1509.

Accounts of Rates and FX Guarantee Resources

1519. OTC Clear shall maintain a separate record of all amounts of the Rates and FX Guarantee Resources from time to time, clearly identifying the amount and type(s) of Collateral provided by each Clearing Member in respect of their respective Rates and FX Liability in the relevant GF Account. In addition, OTC Clear shall maintain a separate account in respect of all the Rates and FX Contribution made (and not reinvested by OTC Clear under Clearing Rule 1520) or required to be made by each Clearing Member to the Rates and FX Guarantee Resources. OTC Clear undertakes to all Clearing Members from time to time to maintain amounts equal to the OTC Clear Contribution in a separate account from its other assets and to use such amounts only for the purposes of investment under Clearing Rule 1520, or meeting shortfalls arising directly or indirectly from DMP Events or a Rates and FX Clearing Termination Event in accordance with this Chapter 15. Simultaneously, with the annual audit of its accounts, OTC Clear shall request its auditors to prepare a report on the Rates and FX Guarantee Resources for circulation to the SFC and, upon request, to Clearing Members.

Recoveries

1522. If any amount paid out of the Rates and FX Guarantee Fund, Clearing Members' Participating Margin Balance or the OTC Clear Participation Contribution pursuant to Clearing Rules 1516 and 1516A is subsequently recovered by OTC Clear, OTC Clear may use such amount (less any costs and expenses of recovery) to refund the relevant Clearing Members or itself in the reverse order of application under Clearing Rules 1516 and 1516A.

Loss Distribution Process

- 1524A. For the purposes of Clearing Rule 1524, the Position Account registered in the name of the Special Clearing House Participant will be exempted from application of Gainer VM Flow Adjustment and Loser VM Flow Adjustment.
1528. Subsequent to the completion of the Loss Distribution Process by OTC Clear, if OTC Clear receives any amounts from the Defaulting Clearing Member or the Defaulting Special Clearing House Participant, or any other amounts howsoever obtained or recovered during the Default Management Process relating to the Defaulting Clearing Member or the Defaulting Special Clearing House Participant, OTC Clear shall reimburse the Non-Defaulting Clearing Members (regardless of whether the relevant Non-Defaulting Clearing Member remains a Clearing Member at the time of recovery)

on a pro-rata basis by reference to the resources which have been applied pursuant to Clearing Rules 1516 and 1516A after deducting any costs or expenses incurred by OTC Clear during the process of such recovery.

For the avoidance of doubt, nothing in this Clearing Rule 1528 shall oblige OTC Clear to pursue any action to recover the amounts contemplated above.

Rates and FX Clearing Service Limited Recourse

1529. The Total Available Resources and/or the Total Available Inter-CCP Resources (as applicable), together with any Gainer VM Flow Adjustment and/or Voluntary Recap Amount received by OTC Clear pursuant to Clearing Rules 1524(2) and 1542, respectively, shall be the sole source of funds available to cover any Rates and FX Loss arising from a DMP Event. In the event OTC Clear determines that utilization of such resources in their entirety will be insufficient to cover payments due to one or more Clearing Members or the Special Clearing House Participant arising out of such DMP Event, all Contracts will be closed-out in accordance with the procedures set out in Clearing Rules 1530 to 1540 without any further recourse to the capital or any other assets of OTC Clear. As from the occurrence of a Rates and FX Clearing Termination Event, none of OTC Clear, any Clearing Member and the Special Clearing House Participant shall be required to pay any further amount in respect of any Contract, and any right to receive any further amount in respect of any Contract shall be satisfied by settlement (by payment, set-off or otherwise) of the Limited Recourse Final CM Payable or the Limited Recourse Applicable Percentage of the Limited Recourse CM Receivable payable relating to the Position Account to which such Contract is registered under Clearing Rule 1538. Neither the Clearing Members nor their respective Clients shall have any recourse to any other funds or any other entity, including without limitation any Affiliate or recognized exchange controller which is the controller of OTC Clear once the Total Available Resources, together with any Gainer VM Flow Adjustment and/or Voluntary Recap Amount received by OTC Clear, have been exhausted. In particular, no Clearing Members or Clients shall be entitled to institute steps for the winding-up of, or the appointment of a receiver to, OTC Clear.

1529A. Subject to the Clearing Link Agreement, no limited recourse wind down in accordance with Clearing Rules 1531 to 1540 shall apply with respect to the Special Clearing House Participant.

Winding Down of the Rates and FX Clearing Services

1530. If OTC Clear determines at any stage that:

- (1) (a) the Rates and FX Loss(es) resulting from one or more DMP Events occurring within the same Capped Liability Period will exceed the Total Available Resources or Total Available Inter-CCP Resources with respect to all such DMP Events and decides not to issue a Voluntary Recap Request Notice pursuant to Clearing Rule 1541;

- (b) notwithstanding a Voluntary Recap Request Notice has been issued pursuant to Clearing Rule 1541, it has not received any Voluntary Recap Amount within the period set out therein; or
 - (c) the Rates and FX Loss(es) exceed the Voluntary Recap Amount received by OTC Clear; or
- (2) OTC Clear has determined to withdraw the Rates and FX Clearing Services, including without limitation the circumstance contemplated by Clearing Rules 1320(2) and 1321(2) but excluding any temporary suspension of the Rates and FX Clearing Services in accordance with Clearing Rule 210(5),

then a “**Rates and FX Clearing Termination Event**” shall occur and OTC Clear shall notify all Clearing Members and the Special Clearing House Participant of the occurrence of such Rates and FX Clearing Termination Event, and the Rates and FX Clearing Service will be wound down in accordance with Clearing Rules 1531 to 1540. For the avoidance of doubt, a declaration of a Rates and FX Clearing Termination Event shall be irrevocable.

1531. Upon the occurrence of a Rates and FX Clearing Termination Event, with respect to each Clearing Member, all obligations of OTC Clear and such Clearing Member in respect of any Contract between them shall cease to exist and be replaced with the obligation to pay the termination amounts determined under Clearing Rules 1531 to 1540. The close-out value for each Contract (excluding Standard Northbound Rates Derivatives Contracts) shall be determined in accordance with section 10.1 of the Clearing Procedures, provided that OTC Clear may also take into account any unpaid amounts that have become due and payable in respect of any such Contract on or prior to the occurrence of the Rates and FX Clearing Termination Event, including without limitation, any Gainer VM Flow Adjustment made during the Loss Distribution Period to which the Rates and FX Clearing Termination Event relates.
1532. Following the declaration of a Rates and FX Clearing Termination Event, any unused Margin Balance then held by OTC Clear in respect of one or more Clearing Members and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Member(s) shall be returned to the relevant Clearing Members in accordance with Clearing Rule 1536; and any unused Participating Margin Balance and unused Rates and FX Contribution Balance then held by OTC Clear in respect of one or more Clearing Members or Former Clearing Members shall be returned to the relevant Clearing Members or Former Clearing Members in accordance with Clearing Rule 1538(4).
1533. As soon as reasonably practicable following a Rates and FX Clearing Termination Event, OTC Clear shall calculate a net sum payable by or to each Clearing Member separately in relation to each Position Account registered in the name of such Clearing Member, and the Special Clearing House Participant in relation to the House Position Account registered in the name of the Special Clearing House Participant. In determining such net sum, OTC Clear will take into account the close-out values established for each Contract pursuant to Clearing Rule 1531, and the value of all other amounts which is due to OTC Clear from the Clearing Member and the Special

Clearing House Participant under these Clearing Rules, or which is due to the Clearing Member and the Special Clearing House Participant from OTC Clear (other than OTC Clear's obligation to return (i) any unused Margin Balance, (ii) any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the relevant Clearing Member or Former Clearing Member, (iii) any unused Participating Margin Balance to the relevant Clearing Member or Former Clearing Member and/or (iv) any unused Rates and FX Contribution Balance to the relevant Clearing Member or Former Clearing Member), in each case, whether future, liquidated or unliquidated, actual or contingent. There shall be no combining or set-off between any House Position Account and Client Position Account(s), or between two or more Client Position Accounts. OTC Clear will determine any such net sum payable by, or to, a Clearing Member and the Special Clearing House Participant in the Base Currency. For the purpose of the determination under this Clearing Rule 1533, OTC Clear may convert any amounts denominated in any other currency into the Base Currency at such rate prevailing at the time of the calculation as it shall reasonably select.

1534. If, pursuant to Clearing Rule 1533, a net sum is determined to be payable by a Clearing Member or the Special Clearing House Participant to OTC Clear with respect to one or more of its Position Accounts, OTC Clear shall reduce each such sum by application of the Outright Transfer Margin Balance, if any, relating to the relevant Position Account. With respect to each Clearing Member or the Special Clearing House Participant and each of its Position Account(s), after application of the Outright Transfer Margin Balance relating to the relevant Position Account:
- (1) if there remains a balance payable by the Clearing Member or the Special Clearing House Participant to OTC Clear for such Position Account (the "**Remaining Balance**"), OTC Clear will, as soon as reasonably practicable, notify the relevant Clearing Member or the Special Clearing House Participant of the Remaining Balance, and the relevant Clearing Member or the Special Clearing House Participant shall pay OTC Clear the Remaining Balance within two OTC Clear Business Days or (in the case of the Special Clearing House Participant) two Northbound Clearing Days following receipt of such notification; and
 - (2) if the Clearing Member or the Special Clearing House Participant fails to pay the Remaining Balance within the time frame set out in sub-paragraph (1) above, OTC Clear may declare an Event of Default in respect of such Clearing Member or the Special Clearing House Participant. OTC Clear may, in satisfaction of any due but unpaid Remaining Balance in respect of a Position Account, apply the proceeds of enforcement of any non-cash Collateral comprising the Margin Balance of the corresponding Collateral Account and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by such Clearing Member or the Special Clearing House Participant, and if any of the Remaining Balance remains unsatisfied following such application, the unsatisfied amount shall form part of the Limited Recourse Interim CM Payable with respect to the relevant Position Account.

1537. Following the completion of the processes described in Clearing Rules 1534 to 1536:

- (1) OTC Clear shall, with respect to each Position Account (without regard to its obligation to return any unused Participating Margin Balance and unused Rates and FX Contribution Balance to the relevant Clearing Member or Former Clearing Member), determine the resulting net sum payable by a Clearing Member to OTC Clear for such Position Account (such sum, a **"Limited Recourse Interim CM Payable"**), or the resulting net sum payable by OTC Clear to a Clearing Member for such Position Account (such sum, a **"Limited Recourse CM Receivable"**);
- (2) OTC Clear shall notify the relevant Clearing Member of its Limited Recourse Interim CM Payable(s) or Limited Recourse CM Receivable(s). Each Clearing Member that receives a notice to pay any Limited Recourse Interim CM Payable shall pay each such amount to OTC Clear in full within two OTC Clear Business Days following receipt of such notification;
- (3) if a Clearing Member fails to pay any Limited Recourse Interim CM Payable in full within the time frame set out in sub-paragraph (2) above, regardless of whether such Limited Recourse Interim CM Payable arises out of a House Position Account or Client Position Account belonging to such Clearing Member, OTC Clear will apply any unused Participating Margin Balance then held by OTC Clear in respect of such Clearing Member against the unpaid Limited Recourse Interim CM Payable;
- (4) with respect to a Clearing Member and each of its Position Account(s) with a Limited Recourse Interim CM Payable, following the application of any unused Participating Margin Balance as described in sub-paragraph (3) above, OTC Clear will apply any unused Rates and FX Contribution Balance then held by OTC Clear in respect of such Clearing Member against the unpaid Limited Recourse Interim CM Payable;
- (5) with respect to a Clearing Member and each of its Position Account(s) with a Limited Recourse Interim CM Payable, following the application of any unused Rates and FX Contribution Balance as described in sub-paragraph (4) above, OTC Clear shall determine the final net sum payable by the Clearing Member, if any (each a **"Limited Recourse Final CM Payable"**) with respect to such Position Account, and notify such Clearing Member of the same. Each Clearing Member that receives a notice to pay any Limited Recourse Final CM Payable shall pay each such amount to OTC Clear in full at or prior to the time specified by OTC Clear; and
- (6) for the avoidance of doubt, a Clearing Member may have a Limited Recourse Interim CM Payable or Limited Recourse Final CM Payable in respect of one Position Account registered in its name, but a Limited Recourse CM Receivable in respect of another Position Account registered in its name.

1538. With respect to each Clearing Member who has a Limited Recourse CM Receivable (and, for the avoidance of doubt, subject to Clearing Rule 1539), and each Clearing Member or Former Clearing Member with any unused Participating Margin Balance and unused Rates and FX Contribution Balance (taking into account the operation of

Clearing Rules 1537(3) and 1537(4)), OTC Clear shall pay each such Clearing Member or Former Clearing Member in proportion to the value of their respective claims on OTC Clear under Clearing Rule 1537 in the following manner:

- (1) OTC Clear shall, until the time specified in Clearing Rule 1540, take reasonable steps to recover any unpaid Limited Recourse Final CM Payables, and may deduct from such amounts any reasonable costs in connection with such recovery;
- (2) following receipt of all or some (if any Clearing Member defaults in its payment of the relevant Limited Recourse Final CM Payable) Limited Recourse Final CM Payables, OTC Clear will calculate a percentage ("**Limited Recourse Applicable Percentage**") equal to the lesser of:
 - (a) 100%; and
 - (b) (A) the aggregate value of (I) the Rates and FX Guarantee Resources then held by OTC Clear, (II) any Margin Balance, Participating Margin Balance and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Members or Former Clearing Members applied pursuant to Clearing Rules 1533 and/or 1534(2) and (III) all Remaining Balance, Limited Recourse Interim CM Payables and/or Limited Recourse Final CM Payables received by OTC Clear; divided by

(B) the aggregate value representing the sum of (I) all Limited Recourse CM Receivables and (II) any unused Participating Margin Balance and unused Rates and FX Contribution Balance then held by OTC Clear in respect of all Clearing Members or Former Clearing Members (taking into account the operation of Clearing Rules 1537(3) and 1537(4));
- (3) subject to Clearing Rule 1539, OTC Clear shall pay each Clearing Member with a Limited Recourse CM Receivable an amount equal to the Limited Recourse Applicable Percentage of such Limited Recourse CM Receivable;
- (4) OTC Clear shall pay each Clearing Member or Former Clearing Member with unused Participating Margin Balance and unused Rates and FX Contribution Balance an amount equal to the Limited Recourse Applicable Percentage of such unused Participating Margin Balance and unused Rates and FX Contribution Balance, provided that the aggregate sum payable by OTC Clear in respect of unused Participating Margin Balance and unused Rates and FX Contribution Balance for all Clearing Member(s) and Former Clearing Member(s) shall never exceed the value of the Participating Margin Balance and Rates and FX Guarantee Resources then held by OTC Clear. Once the Participating Margin Balance and Rates and FX Guarantee Resources have been exhausted, the unpaid balance of any unused Participating Margin Balance and unused Rates and FX Contribution Balance shall be extinguished; and

- (5) all payments made under this Clearing Rule 1538 shall be made in the Base Currency provided that if OTC Clear does not have sufficient Base Currency to satisfy such payment, it may satisfy such payment obligation in any other Eligible Currency.

1540. If OTC Clear determines that no further amounts in respect of any Limited Recourse Final CM Payables are likely to be recovered and notifies the same to the relevant Clearing Member(s) and Former Clearing Member(s), then the unpaid balance of any Limited Recourse CM Receivable, unused Participating Margin Balance and/or unused Rates and FX Contribution Balance shall thereafter be extinguished and the relevant Clearing Member(s) and Former Clearing Member(s) shall have no further recourse to OTC Clear (its Affiliates, a recognized exchange controller which is the controller of OTC Clear, or any of their respective Representatives) in respect thereof.

Voluntary Recapitalisation

1541. If OTC Clear determines at any stage that the Rates and FX Loss resulting from a DMP Event will exceed the Total Available Resources or Total Available Inter-CCP Resources relating to such DMP Event determined under Clearing Rules 1516 and 1516A, it has absolute discretion in determining whether to declare a Rates and FX Clearing Termination Event or to issue a written notice (the “**Voluntary Recap Request Notice**”) requesting each Non-Defaulting Clearing Member to make a payment of funds (each a “**Voluntary Recap Amount**”) to OTC Clear.

1543A. If, on any OTC Clear Business Day, OTC Clear in its sole discretion determines that any Voluntary Recap Amount that OTC Clear expects to receive from a Non-Defaulting Clearing Member, when aggregated with the Total Available Resources or Total Available Inter-CCP Resources and any Voluntary Recap Amounts that OTC Clear expects to receive from other Non-Defaulting Clearing Members, is insufficient to meet any outstanding obligations and liabilities in relation to the DMP Event, that Voluntary Recap Amount (i) shall not form part of the Rates and FX Contribution Balance relating to that Non-Defaulting Clearing Member, (ii) shall be refunded to the relevant Clearing Member on the next OTC Clear Business Day and (iii) shall in no circumstances be available to pay any other creditor of OTC Clear.

Multiple DMP Events

1545. In the event of multiple DMP Events occurring within a Capped Liability Period, then:

- (1) the loss allocation process described in Clearing Rules 1516 and 1516A will only commence upon completion of the Default Management Processes with respect to all such DMP Events. To the extent that DMP Events occur with respect to the Special Clearing House Participant and one or more Defaulting Clearing Members in the same Capped Liability Period, the loss allocation process described in Clearing Rule 1516A shall be performed first, in priority to any loss allocation process described in Clearing Rule 1516, notwithstanding the chronological order of sequence of the DMP Events;
- (2) multiple Default Management Processes will be invoked as a result of multiple DMP Events occurring within the same Capped Liability Period. Notwithstanding the immediately foregoing, however, “Total Available Resources”, “Total Available Inter-CCP Resources” and “Rates and FX Losses” shall be construed to mean the aggregate sum of the Total Available Resources, the Total Available Inter-CCP

Resources and Rates and FX Losses relating to each such DMP Event, and OTC Clear will consolidate any Loss Distribution Process described in Clearing Rules 1523 to 1528 invoked during such Capped Liability Period into one single process, and will only issue one Voluntary Recap Request Notice during such Capped Liability Period; and

- (3) with respect to any Clearing Member who has delivered its Rates and FX Contribution during such Capped Liability Period and who subsequently becomes a Defaulting Clearing Member within the same Capped Liability Period, the entirety of its Rates and FX Contribution Balance shall be applied and utilized in accordance with Clearing Rules 1516(1)(c) and 1516(2)(c), notwithstanding that at the time of provision of such CM Funded Contribution Amount and/or CM Unfunded Contribution Amount, no DMP Event has yet occurred with respect to the relevant Clearing Member.

Terms of Redelivery or Repayment of Rates and FX Contribution

1546. Subject to Clearing Rules 1324, 1530 to 1540, 1548 and 1549, if a Clearing Member's Rates and FX Contribution Balance exceeds its then current Rates and FX Liability, it may request OTC Clear to redeliver Collateral in equivalent form and currency as any Collateral it has delivered to OTC Clear as CM Funded Contribution Amount and/or CM Unfunded Contribution Amount in a value not exceeding the Rates and FX Contribution Excess. A Clearing Member shall specify the exact form and currency of the relevant Collateral requested to be redelivered. Following receipt of such request, OTC Clear shall redeliver Collateral in respect of such Rates and FX Contribution Excess in equivalent form and currency as requested in an amount not exceeding the Rates and FX Contribution Excess, provided that:

- (1) if and only to the extent that any Rates and FX Losses are allocated to such Clearing Member in accordance with Clearing Rules 1516, 1516A and 1914, then OTC Clear's obligation to redeliver Collateral in equivalent form and currency shall be converted into an obligation to pay an amount equal to the value of the Rates and FX Contribution Balance as determined by OTC Clear; or
- (2) in the event that OTC Clear is unable to obtain Collateral in equivalent form and currency for such redelivery, including but not limited to the case where the relevant Rates and FX Contribution is of a type or currency that is the subject of foreign exchange or other settlement risk or disruption, as determined by OTC Clear, at the time such redelivery is due, then OTC Clear may deliver Collateral in other forms or currency determined by OTC Clear.

OTC Clear may apply set-off with respect to any Collateral to be redelivered to a Clearing Member against any obligation such Clearing Member owes to OTC Clear, and OTC Clear may withhold any Collateral to be redelivered to a Clearing Member if such Clearing Member is not in compliance with any of these Clearing Rules.

1547. Subject to Clearing Rules 1306, 1306A, 1306B, 1306C, 1307, 1324, 1548 and 1549, OTC Clear will redeliver to a Former Clearing Member Collateral, in equivalent form and currency to the Rates and FX Contribution recorded on the relevant GF Account of such Clearing Member, 21 calendar days after its Membership Termination Date, provided that OTC Clear is satisfied that such Former Clearing Member has no outstanding liability or sums owing to OTC Clear (including pursuant to Clearing Rules 606 and 609), and OTC Clear's obligation

to redeliver any such Collateral (whether in the form of cash or non-cash) will be subject to the relevant custodian being able to process any such withdrawal or release request at the relevant time, provided further that OTC Clear may deliver such Collateral in other forms or currency determined by OTC Clear:

- (1) if and only to the extent that any Rates and FX Losses are allocated to such Clearing Member in accordance with Clearing Rules 1516, 1516A and 1914, then OTC Clear's obligation to redeliver Collateral in equivalent form and currency shall be converted into an obligation to pay an amount equal to the value of the Rates and FX Contribution Balance as determined by OTC Clear; or
- (2) in the event that OTC Clear is unable to obtain Collateral in equivalent form and currency for such redelivery, including but not limited to the case where the relevant Rates and FX Contribution is of a type or currency that is the subject of foreign exchange or other settlement risk or disruption, as determined by OTC Clear, at the time such redelivery is due,

and provided further that OTC Clear may deduct:

- (a) any amount in respect of which it is indemnified by a Former Clearing Member pursuant to these Clearing Rules; and
- (b) an amount determined by OTC Clear to be adequate to satisfy any outstanding contingent liabilities of a Former Clearing Member.

To the extent that assets of the Rates and FX Guarantee Fund in excess of a Former Clearing Member's Rates and FX Contribution Balance are applied in discharging the rights and liabilities in respect of any Contracts to which it was party, OTC Clear may recover in full the amount so applied from that Clearing Member as a debt due to OTC Clear from it.

This Clearing Rule 1547 shall not be applicable in the occurrence of a Rates and FX Clearing Termination Event. In the event of the occurrence of a Rates and FX Clearing Termination Event, OTC Clear's obligation to return any unused Rates and FX Contribution Balance attributable to a Clearing Member shall be converted into an obligation to pay an amount in respect of such unused Rates and FX Contribution and be returned to such Clearing Member in the manner set out in Clearing Rules 1530 to 1540.

1548. Upon the occurrence of a DMP Event with respect to a Defaulting Clearing Member, OTC Clear's obligation to redeliver Collateral in equivalent form and currency shall be converted into an obligation to pay an amount equal to the aggregate value of such Defaulting Clearing Member's Participating Margin Balance and Rates and FX Contribution Balance as determined by OTC Clear, and such amount may be applied by OTC Clear in good faith if and only to the extent that any Rates and FX Losses are allocated to such Defaulting Clearing Member pursuant to Clearing Rules 1516(1)(b), 1516(1)(c), 1516(2)(b), 1516(2)(c) and 1914(2). Any remaining Participating Margin Balance and/or Rates and FX Contribution Balance relating to such Defaulting Clearing Member shall be applied by OTC Clear in accordance with Clearing Rules 1516, 1516A and 1914 in connection with any other DMP Events occurring in the relevant Capped Liability Period. Upon OTC Clear being satisfied that such Defaulting Clearing Member has no outstanding liability or sums owing to OTC Clear, the remaining value of its Participating Margin Balance and Rates and FX Contribution Balance as determined by OTC Clear shall be taken into account by OTC Clear in

determining the net sum payable by, or to, such Defaulting Clearing Member in accordance with Clearing Rule 1306B(2).

1549. Upon the occurrence of a DMP Event, in respect of each Non-Defaulting Clearing Member, if and only to the extent that any Rates and FX Losses are allocated to such Non-Defaulting Clearing Member in accordance with Clearing Rules 1516, 1516A and 1914, any obligation of OTC Clear to return the Participating Margin Balance and/or Rates and FX Contribution to the Non-Defaulting Clearing Member shall be converted into an obligation of OTC Clear to pay an amount in respect of its Participating Margin Balance and/or Rates and FX Contribution equal to the sum(s) allocated to such Non-Defaulting Clearing Member in accordance with Clearing Rules 1516, 1516A and 1914. Such payment shall discharge OTC Clear's obligation to pay the amount set out in Clearing Rule 1546, 1548 and this Clearing Rule 1549 to the extent of the amount paid, and such Non-Defaulting Clearing Member's Participating Margin Collateral Account, Participating Margin Balance, GF Account and/or Rates and FX Contribution Balance (as applicable) shall be adjusted by OTC Clear in good faith accordingly.

PART V DEFAULT MANAGEMENT PROCESS

Chapter 16 Default Management Process

Default Management Process

1601. The “**Default Management Process**” means the provisions set out in this Part V of these Clearing Rules and Chapter 8 of the Clearing Procedures, or the process described therein, as applicable, which shall be carried out by OTC Clear, in consultation with, and with the assistance of, the Default Management Group. With respect to one or more Clearing Members, the Default Management Process shall commence:

- (1) immediately following the occurrence of an Automatic Early Termination Event or the delivery of a Notice of Default with respect to one or more Clearing Members;
- (2) at a time determined by OTC Clear in the event of the occurrence of a Force Majeure Event or Illegality with respect to one or more Clearing Members pursuant to Clearing Rule 210(4); and
- (3) at a time determined by OTC Clear in the event of the occurrence of an event described in Clearing Rule 610 with respect to one or more Clearing Members,

each of the above, a “**DMP Event**”.

1604. Whenever the Default Management Process is implemented by OTC Clear, OTC Clear will, with the assistance of the Default Management Group, provide such ongoing information to the Non-Defaulting Clearing Members as OTC Clear deems reasonably appropriate in respect of the progress of the Default Management Process, provided that OTC Clear is not under any obligation to disclose information in respect of the Default Management Process which, in the reasonable opinion of OTC Clear, may be subject to obligations of confidentiality, may constitute market sensitive data or is, in OTC Clear’s reasonable opinion, inappropriate for disclosure to Clearing Members.

Amendments to Default Management Process

1612. If, during the implementation of the Default Management Process following the occurrence of a DMP Event, OTC Clear, in consultation with the Default Management Group determines that it would be necessary or desirable for the efficient management of such default to deviate from, or supplement, the Default Management Process, it may, without prior notice to the Clearing Members, implement the Default Management Process in such modified manner or timetable as it sees fit, provided that OTC Clear, with the assistance of the Default Management Group shall promptly notify the Risk Management Committee of such decision. OTC Clear and the Default Management Group shall take into account interest of the investing public, the Non-Defaulting Clearing Members and OTC Clear in determining whether it is necessary or desirable to deviate from, or supplement, the Default Management Process.

Chapter 18 Hedging

Hedging

1803. All Hedging shall be undertaken by OTC Clear for its own account. In respect of any Hedging transaction executed between OTC Clear and a Non-Defaulting Clearing Member as a hedge provider pursuant to this Chapter 18 which is intended to form part of an Auction Portfolio, OTC Clear shall register such Hedging transaction as a Contract. Upon completion of the Auction process, (i) if the Successful Bidder is not a PRC Bidder, OTC Clear shall create and register a Contract between OTC Clear and the Successful Bidder and (ii) if the Successful Bidder is a PRC Bidder, an Inter-CCP Rates Derivatives Contracts between OTC Clear and the Special Clearing House Participant shall be created and registered, in each case, with equal but opposite terms to the relevant Hedging transaction referred to in this Clearing Rule 1803. In addition, for Hedging of Standard Cross-currency Rates Derivatives Contracts, other Hedging instruments may be considered by OTC Clear at its discretion for liquidity management and Hedging purposes. Such Hedging instruments shall be entered into by OTC Clear for its own account and may be entered into with entities that are not Clearing Members.

Chapter 19 Auction

Auction Portfolios

1901. The purpose of the Auction process described in this Chapter 19 is to identify replacement (i) Clearing Members, who will enter into Contracts with OTC Clear, or (ii) participants of the Special Clearing House Participant who participate in the Auction process relating to Standard Northbound Rates Derivatives Contracts on a voluntary basis (each, a **“PRC Bidder”**) and who will enter into cleared contracts with the Special Clearing House Participant under the SHCH Clearing Rules and the SHCH Clearing Guidelines (and the corresponding Inter-CCP Rates Derivatives Contracts relating to Contracts registered in the name of the Defaulting Clearing Member between OTC Clear and the Special Clearing House Participant will terminate), in each case, with the same economic terms as Contracts registered in the name of the Defaulting Clearing Member (other than any Affected Contract that has been successfully ported pursuant to Chapter 17 of these Clearing Rules). The Auction process intends for OTC Clear to remain risk-neutral following the occurrence of a DMP Event, and to assist OTC Clear in determining the termination value of the portfolio of Contracts registered in the name of the Defaulting Clearing Member immediately prior to their termination (other than any Affected Contract that has been successfully ported pursuant to Chapter 17 of these Clearing Rules), which will be used in the calculations performed under Clearing Rules 1306, 1306A, 1306B, 1306C and 1307.

Conduct of Auction

1906. A Non-Defaulting Clearing Member must participate in the Auction for an Auction Portfolio if it has, on any day during the 20 OTC Clear Business Day-period immediately prior to such Auction, any Contract of a Transaction Category which is the same as any Contracts registered in the name of a Defaulting Clearing Member within that Auction Portfolio. Each Bidder (that is not a PRC Bidder) agrees to enter into Contracts with OTC Clear on the same terms as the Auction Positions upon acceptance by OTC Clear of its Bid. For the avoidance of doubt, PRC Bidders shall be entitled, but are not obliged, to participate in the Auction for any Auction Portfolio of Standard Northbound Rates Derivatives Contracts.

Bidding

1910. Each Bidder (other than a PRC Bidder) shall specify the account to which any Auction Contract should be registered if the Bid is successful. If the Bid of a PRC Bidder is successful:

- (1) the Special Clearing House Participant 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.

Initial Allocation of Resources

1913A. In respect of an Auction Portfolio in relation to Contracts registered to a Defaulting Clearing Member's House Position Account (a "**House Auction Portfolio**"), the resources set out in sub-paragraphs (1) to (7) below, to the extent not already applied in accordance with Clearing Rules 1516(1) and 1516(2), shall together constitute the Preliminary Available Resources allocated to such House Auction Portfolio for the purpose of satisfying any Auction Losses or Contract Termination Losses arising from such Auction Portfolio. OTC Clear shall be entitled to apply its resources, in any manner or order including for the avoidance of doubt in an order which is different from the order described hereunder, for satisfaction of the Auction Losses or Contract Termination Losses arising from such House Auction Portfolio, provided that upon completion of a successful Auction or the occurrence of a Contract Termination Event (as applicable) in respect of all Auction Portfolios relating to a DMP Event, it shall perform the loss allocation process set out in Clearing Rules 1914 to 1916:

- (1) a pool of assets comprising the following (the "**Initial House Resources**"):
 - (a) all Auction Payments and Contract Termination Net Payments (if any) received by OTC Clear with respect to such House Auction Portfolio constructed as a result of such DMP Event;
 - (b) any Unpaid Amounts due from OTC Clear to the Defaulting Clearing Member in respect of Contracts recorded in such Defaulting Clearing Member's House Position Account;
 - (c) the Unsettled VM Amount in respect of the Auction Contracts and/or Auction Failed Positions comprised in such House Auction Portfolio (to the extent that such Unsettled VM Amount is payable by OTC Clear to the Defaulting Clearing Member) (if any); and
 - (d) a pool of assets the value of which represents the Margin Allocation Percentage for such House Auction Portfolio applied to the Margin Balance recorded to the House Collateral Account, any income and redemption proceeds on any non-cash Collateral recorded to the House Collateral Account and any proceeds of realization of any such non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Member in respect of the Defaulting Clearing Member (the "**DCM Margin**");
- (2) a pool of assets the value of which represents the RAP (assigned to such House Auction Portfolio) of the Participating Margin Balance recorded to the Participating Margin Collateral Account of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
- (3) a pool of assets the value of which represents the RAP (assigned to such House Auction Portfolio) of the Rates and FX Contribution Balance recorded to the GF Account of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
- (4) a pool of assets the value of which represents the RAP (assigned to such House Auction Portfolio) of the OTC Clear First Contribution;
- (5) a pool of assets the value of which represents the RAP (assigned to such House Auction Portfolio) of the aggregate Rates and FX Contribution Balance in respect of

the CM Funded Contribution Amount of each Non-Defaulting Clearing Member and recorded to the GF Account of each such Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517) (the aggregate value of the CM Funded Contribution Amount of all Non-Defaulting Clearing Members is referred to as the “**NDCM GF**”);

- (6) a pool of assets the value of which represents the RAP (assigned to such House Auction Portfolio) of the OTC Clear Second Contribution; and
- (7) a pool of assets the value of which represents the RAP (assigned to such House Auction Portfolio) of the aggregate value of the Rates and FX Contribution Balance in respect of the CM Unfunded Contribution Amount of each Non-Defaulting Clearing Member and recorded to the GF Account of each such Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517).

For the avoidance of doubt, this Clearing Rule 1913A does not apply to an Auction Portfolio in relation to Contracts registered to a Defaulting Clearing Member's Client Position Account(s) with respect to its Non-Porting Client(s) (a “**Client Auction Portfolio**”). The Preliminary Available Resources for a Client Auction Portfolio are determined as set out in Clearing Rule 1913B.

1913B. In respect of a Client Auction Portfolio, the resources set out in sub-paragraphs (1) to (7) below, to the extent not already applied in accordance with Clearing Rules 1516(1) and 1516(2), shall together constitute the Preliminary Available Resources allocated to such Client Auction Portfolio for the purpose of satisfying any Auction Losses or Contract Termination Losses arising from such Client Auction Portfolio. OTC Clear shall be entitled to apply its resources, in any manner or order including for the avoidance of doubt in an order which is different from the order described hereunder, for satisfaction of the Auction Losses or Contract Termination Losses arising from such Client Auction Portfolio, provided that upon completion of a successful Auction or the occurrence of a Contract Termination Event (as applicable) in respect of all Auction Portfolios relating to a DMP Event, it shall perform the loss allocation process set out in Clearing Rules 1914 to 1916:

- (1) a pool of assets comprising the following (the “**Initial Non-Porting Client Resources**”):
 - (a) all Auction Payments and Contract Termination Net Payments (if any) received by OTC Clear with respect to such Client Auction Portfolio constructed as a result of such DMP Event;
 - (b) any Unpaid Amounts due from OTC Clear to the Defaulting Clearing Member in respect of the Contracts corresponding to the Auction Contracts and/or Auction Failed Positions comprised in such Client Auction Portfolio;
 - (c) the Unsettled VM Amount in respect of the Auction Contracts and/or Auction Failed Positions comprised in such Client Auction Portfolio (to the extent that such Unsettled VM Amount is payable by OTC Clear to the Defaulting Clearing Member) (if any); and
 - (d) a pool of assets the value of which represents the aggregate of, for each Client Collateral Account corresponding to that Client Auction Portfolio, the Margin Allocation Percentage for that Client Collateral Account and Client Auction

Portfolio applied to the aggregate of the Margin Balance recorded to that Client Collateral Account, any income and redemption proceeds on any non-cash Collateral recorded to that Client Collateral Account and any proceeds of realization of any such non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Member in respect of the Non-Porting Client(s) (the “**Non-Porting Client Margin**”);

- (2) a pool of assets the value of which represents the RAP (assigned to such Client Auction Portfolio) of the Participating Margin Balance recorded to the Participating Margin Collateral Account of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
- (3) a pool of assets the value of which represents the RAP (assigned to such Client Auction Portfolio) of the Rates and FX Contribution Balance recorded to the GF Account of the Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1548);
- (4) a pool of assets the value of which represents the RAP (assigned to such Client Auction Portfolio) of the OTC Clear First Contribution;
- (5) a pool of assets the value of which represents the RAP (assigned to such Client Auction Portfolio) of the NDCM GF (by application in the manner set out in Clearing Rule 1517);
- (6) a pool of assets the value of which represents the RAP (assigned to such Client Auction Portfolio) of the OTC Clear Second Contribution; and
- (7) a pool of assets the value of which represents the RAP (assigned to such Client Auction Portfolio) of the aggregate value of the Rates and FX Contribution Balance in respect of the CM Unfunded Contribution Amount of each Non-Defaulting Clearing Member and recorded to the GF Account of each such Non-Defaulting Clearing Member (by application in the manner set out in Clearing Rule 1517).

Loss Allocation

1914. Upon completion of a successful Auction or the occurrence of a Contract Termination Event (as applicable) with respect to all Auction Portfolios constructed as a result of the occurrence of a DMP Event with respect to the Defaulting Clearing Member, and provided that the process described in Clearing Rules 1516(1) and 1516(2) is completed, OTC Clear, in consultation with the Default Management Group, will perform the following loss allocation process with respect to each such Auction Portfolio:

- (1) first:
 - (a) the Initial House Resources allocated to a House Auction Portfolio pursuant to Clearing Rule 1913A will be applied towards the Auction Losses or Contract Termination Losses relating to such House Auction Portfolio provided that:
 - (A) to the extent that the Initial House Resources allocated to such House Auction Portfolio exceed the Auction Losses or Contract Termination Losses relating to such Auction Portfolio, such excess

shall be applied to satisfy any Auction Losses or Contract Termination Losses relating to other House Auction Portfolio(s) constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member, if any, on a pro-rata basis by reference to the amount of such remaining Auction Losses or Contract Termination Losses;

- (B) to the extent that there are (i) any excess Initial House Resources of a Defaulting Clearing Member subsequent to the application of the same pursuant to sub-paragraph (A) above and (ii) any Auction Losses or Contract Termination Losses relating to Client Auction Portfolio(s) constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member after the application of the relevant Initial House Resources pursuant to subparagraph 1914(1)(b)(A) below, such excess Initial House Resources shall be applied to satisfy such Auction Losses or Contract Termination Losses relating to the Client Auction Portfolio(s) on a pro-rata basis by reference to the amount of such remaining Auction Losses or Contract Termination Losses; and
- (C) to the extent that there is any excess DCM Margin of a Defaulting Clearing Member subsequent to the application of the same pursuant to sub-paragraph (A) and (B) above, such excess DCM Margin shall constitute Excess Margin of such Defaulting Clearing Member pursuant to Clearing Rule 1218;

For the avoidance of doubt, the Initial House Resources of a Defaulting Clearing Member shall not be applied towards any Auction Losses or Contract Termination Losses relating to Auction Portfolio(s) constructed as a result of the occurrence of a DMP Event with respect to any other Defaulting Clearing Member;

- (b) the Initial Non-Porting Client Resources allocated to a Client Auction Portfolio pursuant to Clearing Rule 1913B will be applied towards the Auction Losses or Contract Termination Losses relating to such Client Auction Portfolio to the extent that such Auction Losses or Contract Termination Losses relate to the Client Position Account to which the Unsettled VM Amount or Unpaid Amount relates, or in the case of Non-Porting Client Margin, the Client Position Account attributed to the Client Collateral Account in which such Non-Porting Client Margin is recorded, provided that:
 - (A) subsequent to that application process, to the extent that there are any Initial Non-Porting Client Resources allocated to such Client Auction Portfolio pursuant to Clearing Rule 1913B which are not applied to the Auction Losses or Contract Termination Losses relating to such Auction Portfolio, such excess shall be applied to satisfy any Auction Losses or Contract Termination Losses

relating to other Client Auction Portfolio(s) constructed as a result of the occurrence of a DMP Event in respect of the same corresponding Client Position Account(s), if any, on a pro-rata basis by reference to the amount of such remaining Auction Losses or Contract Termination Losses (to the extent that such remaining Auction Losses or Contract Termination Losses relate to the Client Position Account to which the Unsettled VM Amount or Unpaid Amount relates, or in the case of Non-Porting Client Margin, the Client Position Account attributed to the Client Collateral Account in which such excess Non-Porting Client Margin is recorded); and

- (B) to the extent that there are any excess Initial Non-Porting Client Resources subsequent to the application of the same pursuant to sub-paragraph (A) above, such excess Initial Non-Porting Client Resources would form part of the Non-Porting Client Credit and, hence, the Client Entitlement of the relevant Client(s);

For the avoidance of doubt, any excess Initial Non-Porting Client Resources shall only form part of the Client Entitlement of the Client(s) to which such Initial Non-Porting Client Resources relate and shall not form part of the Client Entitlement of other Client(s);

- (c) for the purposes of sub-paragraph (b)(A) above and Clearing Rule 1307, the amount of Auction Losses or Contract Termination Losses in the form of hedging costs or risk premia that shall be treated as “relating to” a Client Position Account shall be an amount equal to the product of:

- (A) with respect to an Auction Portfolio, the hypothetical Initial Margin with respect to the Contracts of that Client Position Account comprised in the relevant Auction Portfolio (calculated on a portfolio margining basis assuming that such Contracts were booked into a single separate hypothetical Client Position Account) divided by the aggregate of the hypothetical Initial Margin of all Client Position Accounts comprised in such Auction Portfolio (where such Auction Portfolio comprises Contracts originally booked to more than one Client Position Account, but the entire Client Position Account is not comprised in such Auction Portfolio, the hypothetical Initial Margin for each such partial Client Position Account shall be calculated on a portfolio margining basis disregarding the fact that such Client Position Account is not whole; for the avoidance of doubt, where such Auction Portfolio comprises Contracts originally booked to more than one Client Position Account and each entire Client Position Account is comprised in such Auction Portfolio, the Initial Margin of such Client Position Accounts shall be aggregated), in each case, such Initial Margin being calculated as at the latest practicable time immediately preceding the occurrence of the relevant DMP Event as determined by OTC Clear in its sole and absolute discretion (the “**Hypothetical IM Percentage**”); and

- (B) the amount of Auction Losses or Contract Termination Losses in the form of hedging costs and risk premia relating to the relevant Auction Portfolio referred to in sub-paragraph (c)(A) above;
- (d) for the purposes of sub-paragraph (b)(A) above and Clearing Rule 1307, the amount of Auction Payments or Contract Termination Net Payments in the form of risk concessions that shall be treated as “relating to” a Client Position Account shall be an amount equal to the product of:
 - (A) with respect to an Auction Portfolio, the Hypothetical IM Percentage for that Client Position Account calculated pursuant to sub-paragraph (c)(A) above; and
 - (B) the amount of Auction Payments in the form of risk concessions relating to the relevant Auction Portfolio referred to in sub-paragraph (d)(A) above;

For the avoidance of doubt, the process in this sub-paragraph (b) shall be repeated until all the Auction Losses or Contract Termination Losses relating to such Client Auction Portfolio have been applied to the Client Collateral Account(s) comprising the Initial Non-Porting Client Resources allocated to such Client Auction Portfolio pursuant to Clearing Rule 1913B;

- (2) second, having utilized the Initial House Resources of the Defaulting Clearing Member in full, any remaining Auction Losses or Contract Termination Losses arising from such Auction Portfolio and attributable to such Defaulting Clearing Member will be satisfied using the RAP of the Participating Margin Balance of the Defaulting Clearing Member allocated to such Auction Portfolio pursuant to Clearing Rule 1913A or 1913B, as the case may be;
- (3) third, having utilized the RAP of the Participating Margin Balance of the Defaulting Clearing Member in full, any remaining Auction Losses or Contract Termination Losses arising from such Auction Portfolio and attributable to such Defaulting Clearing Member will be satisfied using the RAP of the Rates and FX Contribution Balance of the Defaulting Clearing Member allocated to such Auction Portfolio pursuant to Clearing Rule 1913A or 1913B, as the case may be. In the event there is a DCM GF Surplus relating to an Auction Portfolio, such DCM GF Surplus will be applied towards any DCM GF Shortfall relating to other Auction Portfolios (constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member), on a pro-rata basis among all such Auction Portfolios by reference to the amount of such DCM GF Shortfall, until the earlier to occur of:
 - (a) the satisfaction in full of the Auction Losses or Contract Termination Losses with respect to all such Auction Portfolios; and
 - (b) the utilization of the DCM GF in full.

The above shall be without prejudice to the operation of Clearing Rule 1916;

- (4) fourth, subsequent to the utilization of the Participating Margin Balance and Rates and FX Contribution Balance of the Defaulting Clearing Member in full (or, in the occurrence of multiple DMP Events within the same Capped Liability Period, taking

into account the operation of Clearing Rule 1916, the utilization of the Rates and FX Contribution Balance of all Defaulting Clearing Members with respect to whom a DMP Event has occurred during the relevant Capped Liability Period), OTC Clear will satisfy the Auction Losses or Contract Termination Losses arising from such Auction Portfolio using the relevant proportion of the OTC Clear First Contribution allocated to such Auction Portfolio pursuant to Clearing Rule 1913A or 1913B, as the case may be. To the extent that the relevant proportion of the OTC Clear First Contribution allocated to such Auction Portfolio exceeds the Auction Losses or Contract Termination Losses relating to such Auction Portfolio, such excess shall be applied towards the Auction Losses or Contract Termination Losses relating to other Auction Portfolios (constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member) on a pro-rata basis by reference to the amount of such remaining Auction Losses or Contract Termination Losses, until the earlier to occur of:

- (a) the satisfaction in full of the Auction Losses or Contract Termination Losses with respect to all such Auction Portfolios; and
 - (b) utilization of the OTC Clear First Contribution in full;
- (5) subsequent to the utilization of the OTC Clear First Contribution in full, with respect to each Auction Portfolio (constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member) with remaining Auction Losses or Contract Termination Losses, OTC Clear will (i) in the case of Contract Termination Losses, apply the NDCM GF towards such Contract Termination Losses or (ii) in the case of Auction Losses, apply the relevant proportion of the NDCM GF in the following order:
- (a) first, the relevant proportion of the Rates and FX Guarantee Fund of each Non-Bidder and Poor Bidder will be applied (the “**Junior Tranche**”);
 - (b) second, the relevant proportion of the Rates and FX Guarantee Fund of each Lower Bidder will be applied (the “**Middle Tranche**”); and
 - (c) third, the relevant proportion of the Rates and FX Guarantee Fund of each Successful Bidder, Equal Bidder, Better Bidder and No Position NDCM will be applied (the “**Senior Tranche**”, and together with the Junior Tranche and Middle Tranche, the “**Tranches**” and each a “**Tranche**”),

in each case, the relevant proportion of the Rates and FX Guarantee Fund of each Bidder will be applied on a pro-rata basis among each other Bidder within the same Tranche.

The methodology described in item (ii) above shall be referred to as the “**Tranching Methodology**”. For the avoidance of doubt, the Bids (if any) of PRC Bidders will be taken into account when applying the Tranching Methodology to determine the order in which the Rates and FX Guarantee Fund of each Non-Defaulting Clearing Member will be used, but the Tranching Methodology is otherwise not applicable to any PRC Bidder.

In the event that there is an NDCM GF Shortfall relating to an Auction Portfolio, any NDCM GF Surplus relating to other Auction Portfolios (constructed as a result of the

occurrence of a DMP Event with respect to such Defaulting Clearing Member) will be applied towards such NDCM GF Shortfall (in the case of Auction Losses, in accordance with the Tranching Methodology for the Auction Portfolio to which that NDCM GF Surplus relates), on a pro-rata basis among all other Auction Portfolios (constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member) with an NDCM GF Shortfall by reference to the amount of such NDCM GF Shortfall, until the earlier to occur of:

- (A) the satisfaction in full of the Auction Losses and Contract Termination Losses with respect to all such Auction Portfolios; and
 - (B) utilization of the NDCM GF in full;
- (6) subsequent to the utilization of the NDCM GF in full, with respect to each Auction Portfolio with remaining Auction Losses or Contract Termination Losses, OTC Clear will satisfy such Auction Losses or Contract Termination Losses using the relevant proportion of the OTC Clear Second Contribution allocated to such Auction Portfolio pursuant to Clearing Rule 1913A or 1913B, as the case may be. To the extent that the relevant proportion of the OTC Clear Second Contribution allocated to such Auction Portfolio exceeds the Auction Losses or Contract Termination Losses relating to such Auction Portfolio, such excess shall be applied towards the Auction Losses or Contract Termination Losses relating to other Auction Portfolios (constructed as a result of the occurrence of a DMP Event with respect to such Defaulting Clearing Member) on a pro-rata basis by reference to the amount of such remaining Auction Losses or Contract Termination Losses, until the earlier to occur of:
- (a) the satisfaction in full of the Auction Losses or Contract Termination Losses with respect to all such Auction Portfolios; and
 - (b) utilization of the OTC Clear Second Contribution in full; and
- (7) subsequent to the utilisation of OTC Clear Second Contribution in full, with respect to each Auction Portfolio with remaining Auction Losses or Contract Termination Losses, OTC Clear will apply the relevant proportion of the Rates and FX Assessments of each Non-Defaulting Clearing Member (using, in the case of Auction Losses, the Tranching Methodology as set out in sub-paragraph (5) above and any references to NDCM GF therein shall be construed to mean Rates and FX Assessments).

The loss allocation process set out in this Clearing Rule 1914 shall be conducted in manner consistent with that set out in Clearing Rule 1517.

For the purpose of this Clearing Rule 1914 but without prejudice to the operation of Clearing Rule 1916, with respect to each DMP Event, any reference to a “Non-Defaulting Clearing Member” shall mean any Clearing Member other than the Defaulting Clearing Member with respect to whom such DMP Event has occurred.

1916. In the event that more than one DMP Event occurs within the same Capped Liability Period, Clearing Rule 1545 shall apply. In addition, with respect to the Auction Losses and/or Contract Termination Losses arising out of the DMP Events occurring within the same Capped Liability Period:

- (1) OTC Clear may make such adjustments as are necessary in determining the Preliminary Available Resources and the RAP and the Margin Allocation Percentage(s) for each Auction Portfolio constructed as a result of each DMP Event occurring within the same Capped Liability Period. In doing so, OTC Clear will review the aggregate sum of all resources it has then to satisfy the Rates and FX Loss arising out of each such DMP Event, namely, the then Margin Balance held in respect of the Defaulting Clearing Members, any Unsettled VM Amount (to the extent that such Unsettled VM Amount is payable by OTC Clear to the Defaulting Clearing Members) and any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Defaulting Clearing Members, the OTC Clear Contribution, and the Rates and FX Contribution Balance then held in respect of by all Non-Defaulting Clearing Members; and
- (2)
 - (a) to the extent that the Auction Losses and/or Contract Termination Losses arising from all Auction Portfolios constructed for one single Defaulting Clearing Member do not require utilization in full of the Participating Margin Balance and/or Rates and FX Contribution of such Defaulting Clearing Member, any remaining Participating Margin Balance and/or Rates and FX Contribution of such Defaulting Clearing Member shall be utilized to satisfy any Auction Losses and/or Contract Termination Losses arising from one or more Auction Portfolios constructed for another Default Management Process in respect of another Defaulting Clearing Member;
 - (b) any excess Participating Margin Balance and/or Rates and FX Contribution of a Defaulting Clearing Member will be applied on a pro-rata basis based on the share of Participating Margin and Rates and FX Contribution contributed by the relevant Defaulting Clearing Member; and
 - (c) OTC Clear will always ensure that the Participating Margin and Rates and FX Contribution of all Defaulting Clearing Members whose DMP Events occurred within the same Capped Liability Period have been utilized in full prior to utilizing the OTC Clear First Contribution.

Successive Auction

1918A. If:

- (1) pursuant to Clearing Rule 1918, an Auction is held and is unsuccessful, and if OTC Clear reasonably believes that further round(s) of Auction will not be successful in dealing with all Auction Positions in one or more Auction Portfolio(s) within a reasonable time frame as determined by OTC Clear; or
- (2) an Early Termination Date has been designated by the Special Clearing House Participant pursuant to Clearing Rule 21J13 then without the need to hold any Auction,

OTC Clear may invoke the contract termination process as provided for in this Clearing Rule 1918A in consultation with the SFC and (in respect of item (1) above if any Inter-CCP Rates Derivatives Contract is involved) with the prior consent of the Special Clearing House Participant. OTC Clear shall determine which Contracts will be terminated, either in whole or in part ("**Identified Contracts**"), under this Clearing Rule 1918A, shall notify the relevant Clearing Members and the Special Clearing House Participant of the details of the relevant

Identified Contracts, and shall declare the occurrence of a termination event in respect of such Identified Contracts, either in whole or in part (a “**Contract Termination Event**”). In making this determination, OTC Clear may:

- (i) select (a) those Contracts executed between OTC Clear and any Non-Defaulting Clearing Member and the Special Clearing House Participant for the purpose of Hedging the exposure of OTC Clear in relation to the Auction Failed Positions of the Defaulting Clearing Member and (b) those Contracts between OTC Clear and Non-Defaulting Clearing Members and the Special Clearing House Participant which have equal but opposite terms (other than notional amounts in the case of partial terminations) to the Auction Failed Positions in respect of the Defaulting Clearing Member; or
- (ii) select (a) those Contracts executed between OTC Clear and any Non-Defaulting Clearing Member and the Special Clearing House Participant for the purpose of Hedging the exposure of OTC Clear in relation to the Auction Failed Positions of the Defaulting Clearing Member and (b) all Contracts which are of the same Transaction Category as the Contracts described in Clearing Rule 1918A(i)(b), regardless of whether such Contracts are on the same or equal but opposite terms (other than notional amounts in the case of partial terminations) to those of the Auction Failed Positions in respect of the Defaulting Clearing Member; or
- (iii) select all Contracts registered at OTC Clear regardless of the Transaction Category of such Contracts.

The Identified Contracts shall be terminated as of the Final Settlement Cycle Determination Date for such Contract Termination Event as determined pursuant to section 10.5 of the Clearing Procedures.

1918AA. If OTC Clear has declared the Special Clearing House Participant as a Defaulting Special Clearing House Participant pursuant to Clearing Rule 21J02 then without the need to hold any Auction, OTC Clear may invoke the contract termination process as provided for in this Clearing Rule 1918AA with the prior consent of the SFC, the PBOC and the Special Clearing House Participant. The Identified Contracts in respect of the Defaulting Special Clearing House Participant shall be all Standard Northbound Rates Derivatives Contracts and Inter-CCP Rates Derivatives Contracts, OTC Clear shall notify the relevant Clearing Members of the details of Standard Northbound Rates Derivatives Contracts and shall declare the occurrence of a Contract Termination Event. The Identified Contracts shall be terminated as of the Final Settlement Cycle Determination Date for such Contract Termination Event as determined pursuant to section 10.5 of the Clearing Procedures.

1918B. On the Final Settlement Cycle Determination Date for a Contract Termination Event, all obligations of OTC Clear and the relevant Non-Defaulting Clearing Member or Special Clearing House Participant in respect of each Identified Contract (or, in respect of the Defaulting Special Clearing House Participant as provided under Clearing Rule 1918AA above, the Inter-CCP Rates Derivatives Contracts) between them shall cease to exist and be replaced with the obligation of OTC Clear or the relevant Non-Defaulting Clearing Member or Special Clearing House Participant, as the case may be, to pay a net sum in respect of all such Identified Contracts as between them (each a “**Contract Termination Net Payment**”) equal to the change in net present value for each such Identified Contract

between the last End-of Day Settlement Process immediately preceding the relevant Final Settlement Cycle Determination Date and (a) for Contracts other than Standard Northbound Rates Derivatives Contracts and Inter-CCP Rates Derivatives Contracts, 11.00 hours Hong Kong time or (b) for Standard Northbound Rates Derivatives Contracts, 16.00 hours Hong Kong time, in each case, on the Final Settlement Cycle Determination Date, as determined by OTC Clear in accordance with this Clearing Rule 1918B and sections 10.1.1 and 10.5 of the Clearing Procedures. OTC Clear will, as soon as reasonably practicable on the Final Settlement Cycle Determination Date, notify the relevant Non-Defaulting Clearing Member or Special Clearing House Participant of the Contract Termination Net Payment payable by it, and the relevant Non-Defaulting Clearing Member or Special Clearing House Participant shall pay OTC Clear such amount within one OTC Clear Business Day after the Final Settlement Cycle Determination Date. Notwithstanding the above, if at any time during the Contract Termination Event process but prior to the effective date of termination of the relevant Identified Contracts, OTC Clear determines that the Contract Termination Net Payments would result in any of the events set out in Clearing Rule 1530(1), OTC Clear may, instead of proceeding with the Contract Termination Event, declare the occurrence of a Rates and FX Clearing Termination Event, and in such case the Identified Contracts shall not be terminated pursuant to this Clearing Rule 1918B but shall be terminated in accordance with Clearing Rule 1531 instead. Any Contract Termination Net Payment payable by OTC Clear to Non-Defaulting Clearing Members or the Special Clearing House Participant shall form part of the Contract Termination Losses payable in accordance with Clearing Rules 1515 and 1516 by application of the Total Available Resources of OTC Clear.

1919. Upon the expiry of a Capped Liability Period, with respect to each Auction Portfolio constructed for the DMP Event(s) occurring within such Capped Liability Period that was the subject of a successful Auction, OTC Clear will notify all relevant Bidders the result of the application of the Tranching Methodology with respect to each such Auction Portfolio. For the avoidance of doubt, the Tranching Methodology will not be applicable to the Special Clearing House Participant.

OTC Clear Financial Resources

1920. Following the completion of each Auction, OTC Clear shall determine whether its Total Available Resources are sufficient to meet its obligations arising from such Auction, including but not limited to the ability to credit all Successful Bidders or the Special Clearing House Participant on behalf of any Successful Bidders who are PRC Bidders with the relevant Auction Receivables. OTC Clear may only perform its obligations pursuant to Clearing Rules 1921 and 1922 in respect of all Auction Contracts arising from such Auction if it has reasonably determined that its Total Available Resources are sufficient. If OTC Clear determines that, even after exhausting the Total Available Resources, invoking the Loss Distribution Process described in Clearing Rules 1523 to 1528, declaring one or more Contract Termination Events, and/or taking into account any Voluntary Recap Amounts received from one or more Non-Defaulting Clearing Members, it will not be able to meet all the Successful Bids received in respect of all Auction Portfolios arising out of a completed Auction, then the procedure set out in Clearing Rules 1530 to 1540 shall take effect. In such event, OTC Clear shall notify all Bidders (including notify through the Special Clearing House Participant in respect of any PRC Bidders) of the failure of the Auction and the occurrence of a Rates and FX Clearing Termination Event in accordance with the Clearing Procedures and, for the avoidance of doubt, no Bidder shall be deemed to have a Successful Bid in

respect of such Auction and OTC Clear shall not be permitted to register any Auction Contract with any Successful Bidder.

Registration of Auction Contracts (non-PRC Bidders)

1921. Clearing Rules 1921 and 1922 apply to Successful Bidders who are not PRC Bidders. Following the completion of Auction or Contract Termination Event (as applicable) with respect to all Auction Portfolios constructed for a DMP Event, all Successful Bidders will be notified of their Successful Bids and the Auction Payment or Auction Receivable (as applicable) payable in connection with the registration of Auction Contracts relating to such Successful Bids. OTC Clear will register the Auction Contracts to the account specified by each Successful Bidder. Auction Contracts will be registered in the name of the Successful Bidder by OTC Clear entering into the Auction Contracts with the Successful Bidder.
1922. Each Successful Bidder 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 registration of the Auction Contracts. Upon the completion of the Auction(s):
- (1) each Successful Bidder shall provide OTC Clear with Collateral to satisfy the Margin and (if applicable) Participating Margin required for the registration of the Auction Contracts, such Collateral must be delivered by the Successful Bidder on or prior to the relevant Auction Payment Date;
 - (2) each Successful Bidder shall also pay to OTC Clear any Auction Payment on or prior to the Auction Payment Date; and
 - (3) OTC Clear will pay any Auction Receivable payable to the relevant Successful Bidder(s) on or prior to the Auction Receivable Payment Date.

Failed Registration (non-PRC Bidders)

1923. Clearing Rules 1923 and 1924 apply to Successful Bidders who are not PRC Bidders. If a Successful Bidder for an Auction Contract fails to pay in full to OTC Clear the corresponding Auction Payment or fails to provide in full the corresponding required Margin or (if applicable) required Participating Margin to OTC Clear, in either case, on or prior to the relevant Auction Payment Date, such failure shall constitute an Event of Default with respect to the Successful Bidder pursuant to Clearing Rule 1301.
1924. (1) If OTC Clear fails to pay in full an Auction Receivable to a Successful Bidder on or prior to the relevant Auction Receivable Payment Date, such registration of the Auction Contract shall be deemed *void ab initio* and unenforceable against that Successful Bidder;
- (2) OTC Clear shall not take such Auction Contract into account for the purpose of calculating that Successful Bidder's Margin or (if applicable) Participating Margin requirement on an ongoing basis; and
- (3) to the extent a demand for Margin or (if applicable) Participating Margin has already been served upon that Successful Bidder, taking into account such Auction Contract, and the relevant Successful Bidder has transferred Collateral in satisfaction of such Margin or (if applicable) Participating Margin requirement, the amount of Collateral called in respect of such Auction Contract shall be returned to that Successful Bidder

on the second Auction Receivable Payment Date following the completion of the relevant Auction.

Chapter 20 Confidentiality Obligations relating to Receipt of DMP Information

Confidentiality

2001. Each Clearing Member agrees and undertakes that, in consideration of it being provided the DMP Information (in such capacity, each a “**Receiving Clearing Member**”), it shall:

- (1) keep all the DMP Information confidential;
- (2) only use the DMP Information for the Permitted Purpose and comply with the provisions of the Default Management Process in respect thereof; and
- (3) upon demand by OTC Clear and to the extent reasonably practicable, promptly return to OTC Clear all or any part of the DMP Information in its possession in whatever form it may be by a secure method of transportation, or, save and except for any electronic back-up copies which are not readily accessible to the Receiving Clearing Member, destroy or procure the destruction of any copies or reproductions of any material, paper, programme or record incorporating the DMP Information including the destruction or expungement thereof from any memory device or medium, provided that the Receiving Clearing Member may retain copies of any DMP Information as required by law.

Upon demand by OTC Clear the Receiving Clearing Member shall provide to OTC Clear a written confirmation that all the provisions of sub-paragraph (3) above have been fully complied with.

2004. Nothing in these Clearing Rules shall prohibit disclosure or use of the DMP Information if and to the extent:

- (1) it becomes publicly available otherwise than as a result of a breach of the provisions of these Clearing Rules by the Receiving Clearing Member and in particular the Default Management Process;
- (2) the Receiving Clearing Member is required to do so by order of a court of competent jurisdiction which arises as a result of an application by a third party;
- (3) the Receiving Clearing Member is required or requested to do so by any Regulatory Authority asserting jurisdiction over the Receiving Clearing Member; or
- (4) OTC Clear has given prior written approval to the disclosure.

PART VA PROVISIONS RELATING TO THE SPECIAL CLEARING HOUSE PARTICIPANT

Chapter 21A General Provisions

General Provisions

21A01. Capitalised terms used but not otherwise defined in this Part VA shall have the meanings given to them in Chapter 1 of these Clearing Rules.

Obligations of the Special Clearing House Participant

21A02. OTC Clear and the Special Clearing House Participant have entered into the Clearing Link Agreement to provide Clearing Link Services for the clearing of Original Northbound Transactions.

21A03. All obligations of the Special Clearing House Participant under these Clearing Rules have been specified in, or otherwise incorporated by reference into, this Part VA. For the avoidance of doubt, the Special Clearing House Participant shall have no other obligations under these Clearing Rules other than as specified or incorporated in this Part VA.

Liability

21A04. The Special Clearing House Participant shall be liable for any Damage incurred or suffered by OTC Clear or any of its officers or employees as a consequence of its breach of any of its obligations under the Clearing Documentation or the terms of a Contract or any Applicable Laws.

21A05. Except as otherwise expressly provided in these Clearing Rules, 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 the Special Clearing House Participant or to any other Person in respect of anything done or omitted to be done by it in good faith in connection with the operations of the Rates and FX Clearing Services, the provision of such services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules, including any civil liability, whether arising in contract, tort, defamation, equity or otherwise for any Damage suffered or incurred directly or indirectly by the Special Clearing House Participant or any other Person as a result of or in connection with the following matters:

- (1) any error, interruption, failure or malfunction of, or inability to use any systems, communication lines or facilities or technology supplied, operated or used (directly or indirectly) by OTC Clear for purposes of operating its Rates and FX Clearing System and/or providing its services;
- (2) any action or omission by any of them in connection with the operation of the Rates and FX Clearing System, the provision of services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules;
- (3) any suspension, restriction or closure of OTC Clear or its services or any relevant over-the-counter derivatives market;
- (4) any act or omission, including any delay on the part, of the Special Clearing House Participant or any other third party;

- (5) any dispute relating to the validity, existence or terms of any Contract;
- (6) a failure by the Special Clearing House Participant to comply with any Clearing Documentation;
- (7) the taking of action or the omission of taking of actions by OTC Clear authorized, permitted or contemplated in the Clearing Documentation;
- (8) the inability of OTC Clear to perform as a result of the invalidity or, cancellation of any insurance or assurances effected by OTC Clear or the insolvency of such insurers or assurers (provided that the selection of such insurance, assurances or insurers by OTC Clear shall not have been unreasonable at the time of selection);
- (9) any act or omission by OTC Clear in accordance with the directions of any Governmental Authority, or an order made or directions given by a court in exercise of its proper jurisdiction, where it is required to do so by Applicable Law;
- (10) any failure by OTC Clear to obtain appropriate warranties, certificates or other commitments from any system's supplier or a failure to take any steps to enforce the same;
- (11) any acts or omissions, or delay on the part, of the owners and licensees of all hardware and software operated or used by OTC Clear for the purposes of providing the Rates and FX Clearing Services (or any acts or omissions of the employees or agents of those owners and licensees);
- (12) any proceeding or investigation brought by or on behalf of any Governmental Authority, self-regulatory organization, or other regulatory authority exercising any disciplinary functions to which the Special Clearing House Participant is subject;
- (13) any acts or omissions, including any delay on the part, of OTC Clear's own banker, or any other custodians, sub-custodians, depositaries, clearing systems, if any, appointed or used by OTC Clear in relation to Collateral, or the occurrence of an Insolvency Proceedings with respect to such Persons (provided that the selection by OTC Clear of such Persons shall not have been unreasonable); and
- (14) any inability by the Special Clearing House Participant or any other Person to use any programme or system for purposes of accessing the Rates and FX Clearing Services.

21A06. 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 the Special Clearing House Participant or to any other Person in respect of any information and statistics (including market prices, numbers of Contracts cleared and risk management assumptions) provided or made available by OTC Clear in good faith in connection with the operations of the Rates and FX Clearing Services, the provision of such services and facilities available thereunder, and all other matters as contemplated in these Clearing Rules, including any civil liability, whether arising in contract, tort, defamation, equity or otherwise for any Damage suffered or incurred directly or indirectly by the Special Clearing House Participant or any other Person.

Disclosure of Information

21A07. All information provided to or in the possession of OTC Clear regarding past or current positions carried by OTC Clear for the Special Clearing House Participant, Margin payments between OTC Clear and the Special Clearing House Participant or deliveries made by or to the Special Clearing House Participant shall be kept confidential by OTC Clear in accordance with such procedures or policies as OTC Clear may from time to time determine. Notwithstanding the foregoing, OTC Clear may disclose any information described in the immediately preceding sentence, any information received from the Special Clearing House Participant and any other information in connection with the Special Clearing House Participant at any time:

- (1) with the written consent of the Special Clearing House Participant;
- (2) to HKEX and any of its Affiliates and any Representatives, committees, auditors or advisers of HKEX or any Affiliate of OTC Clear which is a recognized exchange company or a recognized clearing house under the SFO;
- (3) pursuant to any requirement or request of any Governmental Authority, including the SFC, HKMA and the Inland Revenue Department of the Hong Kong government; or to any Person required by or in accordance with the Tax Information Exchange Framework;
- (4) pursuant to any order of a court of competent jurisdiction;
- (5) as expressly permitted by the Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default and the implementation by OTC Clear and Clearing Members of settlement of any Contract provided that where OTC Clear discloses any information to any Clearing Member in such circumstances, the receiving Clearing Member shall treat such information as confidential information and shall not make the information known or available to any other Person or use the information for any purpose other than that for which it has been disclosed by OTC Clear;
- (6) to any insurer, insurance broker or banker in connection with any arrangement in support of the Total Available Resources;
- (7) to any professional advisers, auditors or consultants of OTC Clear;
- (8) as required by any Applicable Law;
- (9) to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or HKEX has entered into an information sharing arrangement or reporting service agreement or pursuant to the Tax Information Exchange Framework, such trade repository or Governmental Authority may use, handle, store, transfer and disclose such information in accordance with the terms of any such information sharing arrangement, reporting service agreement or pursuant to the Tax Information Exchange Framework;
- (10) to any service provider or third party contractor whom OTC Clear has engaged to provide data processing or other similar services for OTC Clear, provided that any such persons shall be bound by confidentiality obligation or undertaking;

- (11) to any Person if the information comes into the public domain, other than as a result of a breach of this Clearing Rule 21A07 by OTC Clear or any of its Representatives; or

- (12) to any Client or Designated Person to which the information relates,

provided that, in any such case other than under sub-paragraphs (1), (3), (4), (5), (9) and (11) above, the confidentiality of the information is made known to the recipient (it being understood that, if more than one sub-paragraph of this sentence applies to a particular disclosure and that includes any of sub-paragraph (1), (3), (4), (5), (9) or (11) above, then the confidentiality of the information need not be made known to the recipient).

The Special Clearing House Participant agrees that OTC Clear has the power to publish aggregated trade information in respect of Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trade volumes, types of Contracts cleared and settled by OTC Clear, provided that the identity of the Special Clearing House Participant cannot reasonably be determined from the data, statistics or other materials so published.

21A08. OTC Clear may request the Special Clearing House Participant to provide it with any information (including personal data) required by a trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or HKEX has entered into an information sharing or reporting service agreement or arrangement or pursuant to the Tax Information Exchange Framework. In the event that regulatory approval is required for the Special Clearing House Participant to comply with such request, the Special Clearing House Participant shall provide the information in the permitted scope of relevant regulators or applicable regulatory requirements, and if necessary to comply with such request, the Special Clearing House Participant shall use reasonable efforts to obtain approval from the relevant regulator.

21A09. To the extent that the information to be provided by the Special Clearing House Participant to OTC Clear under Clearing Rule 21A08 or pursuant to any other obligations under the Clearing Rules constitutes personal data as defined in the Personal Data (Privacy) Ordinance, the Special Clearing House Participant shall:

- (1) ensure that the disclosure of personal data by the Special Clearing House Participant or its Representatives to OTC Clear is in all respects and in each case lawful;
- (2) ensure that the Special Clearing House Participant has obtained (and if requested by OTC Clear, provide) all necessary consents from the data subject prior to the disclosure of such personal data to OTC Clear, such consent to be sufficient to allow disclosure by OTC Clear of such personal data to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) upon request or as required by Applicable Law or the terms of any information sharing or reporting service agreement or arrangement that OTC Clear or HKEX has entered into or pursuant to the Tax Information Exchange Framework and to allow any subsequent use, handling, storage, transfer and disclosure by any such trade repository or Governmental Authority in accordance with the terms of any such information sharing or reporting service agreement or arrangement or pursuant to such Tax Information Exchange Framework;

- (3) ensure that the Special Clearing House Participant has fully complied with its obligations as a data user under the Personal Data (Privacy) Ordinance;
- (4) take all practicable steps to ensure that all personal data collected from relevant data subjects and disclosed to OTC Clear is accurate in all material respects; and
- (5) where a data subject withdraws, revokes or modifies any consent as described in sub-paragraph (2) above, the Special Clearing House Participant shall immediately inform OTC Clear of the same.

For the purpose of this Clearing Rule 21A09, the terms “**personal data**”, “**data subject**” and “**data user**” shall have the meanings given to them under the Personal Data (Privacy) Ordinance.

Governing Law

21A10. Clearing Rule 216 shall not apply to the Special Clearing House Participant. In lieu thereof, the courts of Hong Kong shall have non-exclusive jurisdiction to hear and determine any action or dispute which may arise out of or in connection with these Clearing Rules. OTC Clear and the Special Clearing House Participant agree to submit to the non-exclusive jurisdiction of the Hong Kong courts and agree to waive any objection they might otherwise have to such jurisdiction.

21A11. The Special Clearing House Participant irrevocably waives, to the extent permissible by Applicable Laws, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from:

- (1) suit or proceedings;
- (2) jurisdiction of any court or arbitral tribunal;
- (3) relief by way of injunction or order for specific performance or recovery of property;
- (4) attachment of its assets (whether before or after judgment or award), any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order or attachment that results from any judicial or administrative proceedings; and
- (5) execution or enforcement of any judgment or award to which it or its revenues or assets might otherwise be entitled in any proceedings before an arbitral tribunal or in the courts of any jurisdiction.

The Special Clearing House Participant irrevocably agrees, to the extent permitted by law, that it will not claim any such immunity, or assert a defence of sovereign immunity, in any proceedings. The rights and obligations of the Special Clearing House Participant under these Clearing Rules and in relation to any Contract are of a commercial and not a governmental nature.

Notice

21A12. Except as otherwise expressly provided in these Clearing Rules, all notices, requests, demands or other communications from OTC Clear to the Special Clearing House Participant may be given orally or in writing, in person or by post, by electronic or wire transmission (including authenticated SWIFT), by telephone or facsimile, by posting on the HKEX website,

or by any means of computer data transmission. Notwithstanding the immediately foregoing, in respect of any notices relating to suspension of Participantship, or designation of an Early Termination Date in respect of the Contract(s) registered in the name of the Special Clearing House Participant, OTC Clear shall deliver such notices to the Special Clearing House Participant by post, electronic or wire transmission or facsimile.

21A13. In the case of communications sent by post to the address last specified by the Special Clearing House Participant as its address (as the Special Clearing House Participant may from time to time notify OTC Clear), the communications from OTC Clear shall be deemed to have been received by the Special Clearing House Participant on the following OTC Clear Business Day if the address is in Hong Kong and, if the address is outside Hong Kong, on such day as OTC Clear may from time to time specify with reference to the time the communications would be delivered to such address in the ordinary course of post. If the communications are delivered in person to such address, the communications will be deemed to have been received by the Special Clearing House Participant at the time of delivery made to such address.

21A14. In the case of communications made by OTC Clear to the Special Clearing House Participant by electronic or wire transmission, by telephone or facsimile, by posting on the HKEX website or any other instantaneous means, the communications shall be deemed to have been received by the Special Clearing House Participant immediately.

21A15. Except as otherwise expressly provided in these Clearing Rules, all notices, requests, demands or other communications from the Special Clearing House Participant to OTC Clear may be given orally or in writing, in person or by post, by electronic or wire transmission (including authenticated SWIFT), by telephone or facsimile, or by any means of computer data transmission. Notwithstanding the immediately foregoing, in respect of any notices relating to designation of an Early Termination Date by the Special Clearing House Participant in accordance with Clearing Rule 21J13, the Special Clearing House Participant shall deliver such notices to OTC Clear by post, electronic or wire transmission or facsimile.

21A16. In the case of communications sent by post to the address last specified by OTC Clear (as OTC Clear may from time to time notify the Special Clearing House Participant), the communications from the Special Clearing House Participant to the Hong Kong address of OTC Clear shall be deemed to have been received by OTC Clear on the following OTC Clear Business Day. If the communications are delivered in person to such address, the communications will be deemed to have been received by OTC Clear at the time of delivery made to such address.

21A17. In the case of communications made by the Special Clearing House Participant to OTC Clear by electronic or wire transmission, by telephone or facsimile or any other instantaneous means, the communications shall be deemed to have been received by OTC Clear immediately.

Process Agent

21A18. The Special Clearing House Participant shall appoint and maintain an agent in Hong Kong to act as its agent to accept service of process issued out of the courts of Hong Kong in relation to any proceedings in connection with any Clearing Documentation and shall deliver to OTC Clear a copy of the agreement relating to such appointment countersigned by such agent. The Special Clearing House Participant shall not give any notice of revocation to, or

otherwise terminate the appointment of, any such agent unless prior to such termination it has validly appointed a replacement agent in Hong Kong to accept service of process issued out of the courts of Hong Kong in relation to any proceedings in connection with any Clearing Documentation, and has delivered to OTC Clear an agreement relating to the appointment of such replacement agent and countersigned by such replacement agent. If for any other reason any agent appointed under this Clearing Rule 21A18 ceases to be such an agent, the Special Clearing House Participant shall forthwith appoint a replacement agent in Hong Kong, and deliver to OTC Clear a copy of the new agent's acceptance of that appointment within 10 OTC Clear Business Days of such appointment. Nothing in the Clearing Documentation or any Contract shall affect the right of OTC Clear to serve process in any other manner permitted by law.

Calculations and Currency

21A19. The calculations made by OTC Clear pursuant to these Clearing Rules shall be conclusive and binding on the Special Clearing House Participant. If the Special Clearing House Participant believes that there is any error in OTC Clear's calculations, the Special Clearing House Participant shall immediately notify OTC Clear in writing and in any event, no later than 17:00 hours Hong Kong time on the immediately following OTC Clear Clearing Day upon receipt of the relevant calculations.

Force Majeure Event and Illegality

21A20. OTC Clear and the Special Clearing House Participant shall notify each other, SFC and PBOC as soon as possible upon being aware of the occurrence of any Force Majeure Event or Illegality that affects it. If such Force Majeure Event or Illegality results in, or is likely to result in, any failure to perform all or any part of the Inter-CCP Rates Derivatives Contracts:

- (1) payment and delivery obligations of both OTC Clear and the Special Clearing House Participant under any Inter-CCP Rates Derivatives Contracts affected by the Force Majeure Event or Illegality (including payments and delivery in respect of any Inter-CCP Margin Amount) shall be deferred or delayed until either the Force Majeure Event or Illegality ceases to exist, unless the Clearing Link Services is suspended or terminated; and
- (2) OTC Clear and the Special Clearing House Participant shall notify each other as soon as possible after it becomes aware that the Force Majeure Event or Illegality has ceased to exist, and both OTC Clear and the Special Clearing House Participant shall cooperate to resume normal operations under the Clearing Link Services unless the Clearing Link Services is suspended or terminated, but neither OTC Clear nor the Special Clearing House Participant shall be liable for any loss (whether direct, indirect or consequential) incurred by the other party or its Affiliates in connection with such Force Majeure Event or Illegality.

Such notice from OTC Clear or the Special Clearing House Participant shall include the nature of such event and the detailed information which are reasonable to provide in such circumstances and as reasonably required by the other party.

Original Northbound Transactions

21A21. OTC Clear and the Special Clearing House Participant acknowledge and agree that the registration, novation and clearing of Original Northbound Transactions shall be made pursuant to the terms of Chapter 8A of the Clearing Rules.

Chapter 21B Participantship

The Special Clearing House Participant

21B01. OTC Clear may admit the Special Clearing House Participant for the clearing of the Original Northbound Transactions which are submitted to it for registration by a Clearing Member. OTC Clear will only novate an Original Northbound Transaction and create a Contract with the Special Clearing House Participant if such Original Northbound Transaction satisfies the Eligibility Requirements applicable to the Original Northbound Transaction at the time of its submission to OTC Clear for registration and has not been rejected by OTC Clear, through to the Registration Time. Contracts with the Special Clearing House Participant will be registered to its House Account.

Qualification

21B02. To be eligible for admission as the Special Clearing House Participant, Interbank Market Clearing House Co., Limited must be able to comply, and be able to demonstrate to the satisfaction of OTC Clear the ability to comply, at all times with each of the requirements set out in Clearing Rule 21C01.

Publication

21B03. OTC Clear shall publish on its website the identity of the Special Clearing House Participant.

Chapter 21C Legal Obligations

Continuing Obligations

21C01. The Special Clearing House Participant shall at all times:

- (1) adhere strictly to, and be bound by, the Clearing Link Agreement and any conditions stipulated in the notice of approval of its Participantship, agree to and accept the Clearing Documentation and undertake obligations under this Part VA with respect to the Clearing Documentation;¹
- (2) comply with the decisions, directions, directives, determinations, findings of fact and/or interpretation of OTC Clear in the exercise or performance of any right, power, privilege, discretion, function, duty or obligation conferred on it by or pursuant to the Clearing Documentation and the Clearing Link Agreement;
- (3) be validly incorporated and existing under the laws of the PRC, be in good standing and have all the necessary approvals, licences and authorisations in place for the carrying on of its business in all jurisdictions;
- (4) act in good faith in its dealings with OTC Clear;
- (5) pay when due all amounts required by OTC Clear in accordance with this Part VA, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement, including without limitation, its Margin requirements and cash payment obligations, including fees, levies, duties and charges;
- (6) hold an account or accounts (as necessary) for settlement purposes as prescribed under Chapter 11 of the Clearing Procedures;
- (7) have registered with OTC Clear:
 - (a) a Person, having director, general partner, trustee or senior officer status at the Special Clearing House Participant (or a Person occupying a similar status or performing similar functions) who is authorized to act on behalf of the Special Clearing House Participant in respect of all transactions with or involving OTC Clear; and
 - (b) an alternate Person that satisfies the requirements set out in sub-paragraph (a) above and who is authorized to act on behalf of the Special Clearing House Participant in the event that the first Person is incapable or unable to act;
- (8) comply with any procedures or enter into any documentation from time to time prescribed by OTC Clear and which relate to the business of OTC Clear;
- (9) not be subject to Insolvency Proceedings;

¹ Sub-clause 4.2.2 of the Clearing Link Agreement stipulates as follows: "SHCH will become a Special Swap Connect Clearing House Participant of OTC Clear and hereby (i) agrees to and accepts the OTC Clear Rules and Procedures and (ii) undertakes obligations under the rules and procedures specifically applicable to SHCH as identified in Schedule 1B". "SHCH" and "Special Swap Connect Clearing House Participant" and "Schedule 1B" referred to in sub-clause 4.2.2 of the Clearing Link Agreement mean Interbank Market Clearing House Co., Limited, the Special Clearing House Participant and this Part VA respectively.

- (10) (a) be subject to Applicable Laws relating to money laundering and terrorist financing that requires it to undertake due diligence and identity verification measures on its clearing participants, (b) comply with all Applicable Laws relating to its status, the conduct of its business and the performance of its obligations as the Special Clearing House Participant and a central clearing counterparty in the PRC, including, for the avoidance of doubt, all Applicable Laws relating to the prevention of bribery, money laundering, financial crimes and terrorist financing and (c) not be subject to any sanctions promulgated or imposed by the United Nations or any Governmental Authority relevant to it or its clearing activities; and
- (11) be able to demonstrate, to the satisfaction of OTC Clear, the ability to comply with the above.

Transfer of Participantship

21C02. Unless the prior written approval of the OTC Clear Board (after consultation with the Risk Management Committee) has been obtained, the Participantship of the Special Clearing House Participant shall not be capable of being transferred and the Special Clearing House Participant shall not attempt to sell or transfer its Participantship.

21C03. The Special Clearing House Participant shall not pledge or mortgage, or create any trust, charge, lien or other Encumbrance over, its Participantship.

21C04. OTC Clear shall not be bound or in any way compelled to recognize (even if it has notice of the same) any purported dealing or disposition made in contravention of Clearing Rule 21C02 or 21C03.

Chapter 21D Information Obligations

21D01. The Special Clearing House Participant shall notify OTC Clear in writing, providing full particulars known to it of the declaration of an event of default (which, for the avoidance of doubt, shall include only permanent events of default as referred to in the SHCH Clearing Rules in respect of a clearing participant of the Special Clearing House Participant) in respect of any of its clearing participants.

Chapter 21E Suspension and Termination of Participantship

Suspension

21E01. OTC Clear shall be entitled to suspend the Special Clearing House Participant and the Clearing Link Services:

- (1) if OTC Clear determines that an SHCH Event of Default has occurred;
- (2) if OTC Clear has been notified by the Special Clearing House Participant that a Force Majeure Event or Illegality has occurred and such Force Majeure Event or Illegality is continuing in the opinion of OTC Clear; or
- (3) if SFC is of the view that suspension of the Participantship of the Special Clearing House Participant and the Clearing Link Services is necessary to protect the interests of OTC Clear or its Clearing Members (which, for the avoidance of doubt, shall not include the Special Clearing House Participant) and requests OTC Clear to suspend the Special Clearing House Participant and the Clearing Link Services.

The suspension may occur on such terms and for such period as OTC Clear may think fit.

21E02. Where the Clearing Link Services are suspended:

- (1) payment obligations of both OTC Clear and the Special Clearing House Participant in respect of all Inter-CCP Rates Derivatives Contracts (including payments and delivery in respect of any Inter-CCP Margin Amount) shall be suspended and deferred until the Clearing Link Services are resumed;
 - (a) where the Clearing Link Services are suspended pursuant to Clearing Rule 21E01(1), the Special Clearing House Participant shall be liable for the direct losses and costs incurred by OTC Clear in connection with the suspension of the Clearing Link Services; and
 - (b) where the Clearing Link Services are suspended due to Clearing Rules 21E01(2) or 21E01(3), neither OTC Clear nor the Special Clearing House Participant shall be liable for any loss or cost (whether direct, indirect or consequential) incurred by the other party or its Affiliates in connection with the suspension of the Clearing Link Services, but without prejudice to Clearing Rule 21E02(1)(a) upon the subsequent occurrence of an SHCH Event of Default;
- (2) no new Inter-CCP Rates Derivatives Contracts shall be entered into, unless otherwise agreed between OTC Clear and the Special Clearing House Participant;
- (3) the suspension shall not in any way affect the validity or enforceability of any Contract or other agreement or arrangement to which OTC Clear and the Special Clearing House Participant were party prior to the suspension;
- (4) OTC Clear may suspend the Participantship of the Special Clearing House Participant;
- (5) the suspended Special Clearing House Participant shall, prior to its Participantship Termination Date, continue to be bound by any conditions stipulated in the notice of approval of its Participantship and continue to agree to and accept the Clearing Documentation during such period of suspension; and

- (6) notice of suspension of Participantship of the Special Clearing House Participant and the Clearing Link Services shall be given by OTC Clear as soon as reasonably practicable to the Special Clearing House Participant and the SFC.

21E03. OTC Clear may resume the Participantship of the Special Clearing House Participant and the Clearing Link Services by giving notice to the Special Clearing House Participant at any time during the suspension.

Termination

21E04. The Special Clearing House Participant's Participantship and the Clearing Link Services may be terminated as a result of the termination of the Clearing Link Agreement (including the occurrence of a Force Majeure Event or Illegality that is continuing).

21E05. Upon the termination of the Clearing Link Agreement:

- (1) the Clearing Link Services shall cease;
- (2) the Inter-CCP Rates Derivatives Contracts shall be terminated and the close-out value for each such Contract shall be determined at a price 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 Participantship Termination Date (which shall be a Northbound Clearing Day) and in case such curves are not available on such Northbound Clearing Day, the day-end price obtained from other sources in a commercially reasonable manner, provided that the aggregate termination amounts of all Contracts shall be determined as agreed between OTC Clear and the Special Clearing House Participant, and a single net sum shall be payable by or to the Special Clearing House Participant within one Northbound Clearing Day from the determination and notification of the net sum;
- (3) either OTC Clear or the Special Clearing House Participant to whom the net sum is payable in sub-paragraph (2) above shall be entitled to (a) enforce its security interest (if applicable) against the other and (b) utilise the cash Collateral posted by the other as the Inter-CCP SHCH Margin Amount or the Inter-CCP OTCC Margin Amount (as the case may be) to satisfy such net sum before returning the remaining cash Collateral to the other;
- (4) subject to sub-paragraph (3) above and the settlement of the net sum in sub-paragraph (2) above, the remaining cash Collateral standing to the credit of the Hong Kong Collateral Account shall be returned to the Special Clearing House Participant and the remaining cash Collateral standing to the credit of the PRC Collateral Account shall be returned to OTC Clear; and
- (5) if the cash Collateral posted as the Inter-CCP SHCH Margin Amount or the Inter-CCP OTCC Margin Amount is insufficient to satisfy the net sum in sub-paragraph (2) above, the shortfall shall be payable by OTC Clear or the Special Clearing House Participant (as the case may be) upon demand of the other.

21E06. Unless otherwise determined by OTC Clear, the Special Clearing House Participant shall, prior to the relevant Participantship Termination Date:

- (1) subject to Clearing Rule 21E08, continue to be obliged to pay when due all amounts required by OTC Clear in accordance with this Part VA and Chapter 11 of the Clearing

Procedures, including without limitation, its Margin requirements and cash payment obligations until its Participantship Termination Date;

- (2) not enter into any new Contracts; and
- (3) continue to be bound by any conditions stipulated in the notice of approval of its Participantship and continue to agree to and accept the Clearing Documentation until the Participantship Termination Date.

21E07. If the Special Clearing House Participant has failed to comply with Clearing Rule 21E06, OTC Clear may deem the Special Clearing House Participant as the Defaulting Special Clearing House Participant and take all necessary steps, including those set out in Clearing Rules 21J06 and 21J07 or to initiate the Default Management Process, in order to ensure the orderly winding down of the Special Clearing House Participant's business in relation to OTC Clear.

21E08. Termination of the Special Clearing House Participant's Participantship and the Clearing Link Services shall not affect the validity and operation of the provisions of the Clearing Rules relating to disclosure of information, limited recourse of the Rates and FX Clearing Services, winding down of the Rates and FX Clearing Services, terms of redelivery or repayment of the Rates and FX Contribution and Clearing Rules 21E09, 21I13 and 21J10, which shall survive termination of its Participantship and the Clearing Link Services.

21E09. OTC Clear and the Special Clearing House Participant 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 Special Clearing House Participant while it was a participant; and
- (2) liable in respect of all cash payment obligations including fees, levies, duties, fines, charges and payments under this Part VA, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement, as applicable, amounts due to OTC Clear or the Special Clearing House Participant as a result of this Part VA, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement and any other liabilities entered into and accrued prior to the relevant Participantship Termination Date.

Chapter 21F Accounts

Accounts

21F01. The Special Clearing House Participant shall establish a House Position Account and a House Collateral Account with OTC Clear.

Position Account

21F02. OTC Clear shall, with respect to the Special Clearing House Participant, open one House Position Account in order to book Contracts created pursuant to the novation of the Original Northbound Transactions which have been accepted for clearing.

Collateral Account

21F03. OTC Clear shall maintain a House Collateral Account in respect of the Special Clearing House Participant's House Position Account.

21F04. Cash Collateral provided by the Special Clearing House Participant for the purpose of satisfying its Inter-CCP SHCH Margin Amount will be delivered by the Special Clearing House Participant and will be held by OTC Clear in the Hong Kong Collateral Account in accordance with the Inter-CCP SHCH Charge Agreement. To secure its obligations under the Clearing Rules, the Clearing Procedures, the Clearing Link Agreement, the Collateral Management Agreements and the Inter-CCP Rates Derivatives Contracts to OTC Clear, the Special Clearing House Participant shall grant a security interest over all cash Collateral posted into the Hong Kong Collateral Account and all its rights to, ownership of and interests in, such cash Collateral to OTC Clear pursuant to the terms of the Inter-CCP SHCH Charge Agreement (in the form of the Appendix appended to this Part VA). By signing the Clearing Link Agreement, OTC Clear and the Special Clearing House Participant shall be deemed to have entered into the Inter-CCP SHCH Charge Agreement, which shall become operative in accordance with its terms without further action.

Chapter 21G Payments

Contract Payments

21G01. The Special Clearing House Participant and OTC Clear shall pay all amounts due under the relevant Contract Terms in respect of a Contract at the times and in such amounts as are required pursuant to the Contract Terms, this Part VA and Chapter 11 of the Clearing Procedures.

Margin

21G02. The Special Clearing House Participant shall make payment of the Collateral in respect of the Inter-CCP SHCH Margin Amount to OTC Clear from time to time in accordance with this Chapter 21G and Chapter 11 of the Clearing Procedures.

Default Interest

21G03. If the Special Clearing House Participant defaults in the performance of any of its payment obligations, it will, to the extent permitted by Applicable Laws, pay interest on the overdue amount in the currency in which such debt is owed at the Default Interest Rate, such interest will accrue daily during the period from (and including) the original due date for payment to (but excluding) the date of actual payment.

Interest Rates

21G04. Any alteration in the basis of calculating interest rates under Clearing Rule 21G03 shall become effective on the date designated and notified by OTC Clear to the Special Clearing House Participant.

Income on Cash Collateral

21G05. Any income received by OTC Clear on cash Collateral provided by the Special Clearing House Participant to OTC Clear in satisfaction of its Inter-CCP SHCH Margin Amount shall be credited into the Hong Kong Collateral Account as further described in section 11.9 of Chapter 11 of the Clearing Procedures.

Fees

21G06. No fees shall be payable by the Special Clearing House Participant to OTC Clear in respect of the Contracts created between the Special Clearing House Participant and OTC Clear pursuant to the novation of the Original Northbound Transactions.

Payments Calculation

21G07. On each Northbound Clearing Day, the amounts payable by or to the Special Clearing House Participant in respect of its House Position Account shall 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 such Northbound Clearing Day.

21G08. OTC Clear may net the sums which would be payable by the Special Clearing House Participant to OTC Clear on a particular Northbound Clearing Day against the sums which would be payable by OTC Clear to the Special Clearing House Participant on such date (in each case, including without limitation, any amounts which became payable on or prior to such date and which remain unpaid and not otherwise discharged in full as at such date). For the avoidance of doubt, obligations to deliver an asset other than cash cannot be netted against a cash payment.

21G09. Any net sum payable by OTC Clear to the Special Clearing House Participant shall be payable at such times and in such manner as shall be specified in Chapter 11 of the Clearing Procedures.

Chapter 21H Tax

Tax

21H01. Subject to Clearing Rule 21H03(1), in the event that any payment made by the Special Clearing House Participant to OTC Clear (other than payment in respect of income on the Collateral credited into the PRC Collateral Account) under this Part VA, Chapter 11 of the Clearing Procedures, the Inter-CCP SHCH Charge Agreement, the Clearing Link Agreement or any Contract is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax and/or any Withholding Tax, then the Special Clearing House Participant shall pay to OTC Clear an amount, in addition to the payment to which OTC Clear is otherwise entitled under this Part VA, Chapter 11 of the Clearing Procedures, the Inter-CCP SHCH Charge Agreement, the Clearing Link Agreement or any Contract, necessary to ensure that the net amount actually received by OTC Clear (free and clear of any such deduction or withholding for or on account of any such Tax and/or Withholding Tax), will be equal to the full amount OTC Clear would have received in the absence of any such deduction or withholding.

21H02. Subject to Clearing Rule 21H03(2), in the event that any payment made by OTC Clear to the Special Clearing House Participant (other than payment in respect of income on the Collateral credited into the Hong Kong Collateral Account) under this Part VA, Chapter 11 of the Clearing Procedures, the Inter-CCP SHCH Charge Agreement, the Clearing Link Agreement or any Contract is subject to deduction or withholding (either at the time of such payment or in the future) for or on account of any Tax and/or any Withholding Tax, then OTC Clear shall pay to the Special Clearing House Participant an amount, in addition to the payment to which the Special Clearing House Participant is otherwise entitled under this Part VA, Chapter 11 of the Clearing Procedures, the Inter-CCP SHCH Charge Agreement, the Clearing Link Agreement or any Contract, necessary to ensure that the net amount actually received by the Special Clearing House Participant (free and clear of any such deduction or withholding for or on account of any such Tax and/or Withholding Tax), will be equal to the full amount the Special Clearing House Participant would have received in the absence of any such deduction or withholding.

21H03. In the event that:

- (1) any income on cash Collateral provided by the Special Clearing House Participant in the Hong Kong Collateral Account is subject to any Tax, OTC Clear shall pay such Tax with its own funds on behalf of the Special Clearing House Participant and provide the Special Clearing House Participant with the relevant proof of tax payment. Within 30 calendar days from receipt of such proof, the Special Clearing House Participant shall pay to OTC Clear an amount equivalent to such Tax paid by OTC Clear; and
- (2) any income on cash Collateral provided by OTC Clear in the PRC Collateral Account is subject to any Tax, the Special Clearing House Participant shall pay such Tax with its own funds on behalf of OTC Clear and provide OTC Clear with the relevant proof of tax payment. Within 30 calendar days from receipt of such proof, OTC Clear shall pay to the Special Clearing House Participant an amount equivalent to such Tax paid by the Special Clearing House Participant.

21H04. If:

- (1) the Special Clearing House Participant is required by any Applicable Law, as modified by the practice of any relevant Governmental Authority, to make any deduction or withholding from any payment made to OTC Clear under this Part VA, Chapter 11 of the Clearing Procedures or any Contract for or on account of any Tax, in respect of which the Special Clearing House Participant would be required to pay an additional amount pursuant to OTC Clear under Clearing Rule 21H01;
- (2) the Special Clearing House Participant does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against OTC Clear, then, except to the extent the Special Clearing House Participant has satisfied or then satisfies the liability resulting from such Tax, the Special Clearing House Participant will promptly pay to OTC Clear the amount of such liability (including any related liability for interest, penalties and costs).

21H05. The Special Clearing House Participant will pay any stamp, registration, documentation, excise, sales or value added Tax or any other similar Tax levied or imposed upon it or in respect of its execution or performance of any agreement, contract or transaction in connection with this Part VA and Chapter 11 of the Clearing Procedures and will indemnify OTC Clear against any such stamp, registration, documentation, excise, sales or value added Tax (to the extent that OTC Clear is not able, in OTC Clear's commercially reasonable judgment, to reclaim or recover such value added Tax) or any other similar Tax levied or imposed upon OTC Clear or in respect of OTC Clear's execution or performance of any agreement, contract or transaction in connection with this Part VA and Chapter 11 of the Clearing Procedures. Any payment required to be made by the Special Clearing House Participant to OTC Clear under this Clearing Rule 21H05 shall include an additional amount equal to any Tax levied or imposed on OTC Clear as a result of the receipt of any payment under this Clearing Rule 21H05.

21H06. The Special Clearing House Participant shall provide OTC Clear with sufficient information so as to enable OTC Clear to determine whether any payments to be made by it under this Part VA and Chapter 11 of the Clearing Procedures or any Contract are withholdable payments pursuant to the Tax Information Exchange Framework and to enable OTC Clear to meet any applicable obligations relating to the Tax Information Exchange Framework.

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.
- 21I10. 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.
- 21I11. 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

- 21I12. 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.
- 21I13. 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 21I13 shall be deemed to be repeated by it on each day Collateral is delivered to OTC Clear pursuant to these Clearing Rules.

- 21I14. 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

- 21I15. A House Account Limit and/or Absolute Risk Limit shall apply to the Special Clearing House Participant in respect of its House Position Account.
- 21I16. 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

- 21I17. 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.

Chapter 21J Default Procedures

Defaulting Special Clearing House Participant

21J01. The Special Clearing House Participant shall immediately give notice to OTC Clear, if it is, or if it suspects that it is likely to become, unable to meet its obligations under the Clearing Documentation, the Clearing Link Agreement, the Collateral Management Agreement and/or one or more Contracts to which it is party.

21J02. Subject to the expiry of any applicable Tolerance Period, OTC Clear may, by a notice in writing to the Special Clearing House Participant, declare the Special Clearing House Participant as the Defaulting Special Clearing House Participant, in the event of any one or more of the following events or circumstances occurring (each a **"SHCH Event of Default"**):

- (1) failure by the Special Clearing House Participant to pay or deliver any amounts when due under this Part VA, Chapter 11 of the Clearing Procedures and/or the Clearing Link Agreement, including without limitation, any failure to pay or deliver the Collateral in respect of the Inter-CCP SHCH Margin Amount when due; or
- (2) the Special Clearing House Participant voluntarily commences a procedure for liquidation, administration, receivership, judicial management or a scheme of arrangement, or other similar relief with respect to itself or its debts under any bankruptcy, insolvency, regulatory, supervisory or similar law, or if any of the foregoing case or procedure is commenced in relation to the Special Clearing House Participant by any other person.

21J03. Upon the declaration of the Special Clearing House Participant as the Defaulting Special Clearing House Participant pursuant to Clearing Rule 21J02, OTC Clear shall not be obliged to make any further payments or deliveries in respect of any Contract registered in the name of the Special Clearing House Participant, and the Special Clearing House Participant shall promptly return to OTC Clear all cash deposited into, and standing to the credit of, the PRC Collateral Account. In addition, OTC Clear may take such steps with respect to the Special Clearing House Participant as in the circumstances appear to it, in its absolute discretion, best calculated:

- (1) to discharge the Special Clearing House Participant's rights, obligations and liabilities under or in respect of one or more or all Contracts to which the Special Clearing House Participant is a party;
- (2) to minimize losses or the potential for losses to OTC Clear as a result of the default of the Special Clearing House Participant; or
- (3) without the need for any prior notice to or consent of the Special Clearing House Participant:
 - (a) to terminate any Contract of the Special Clearing House Participant by designating an Early Termination Date in respect of such Contract;
 - (b) to apply any Collateral posted as the Inter-CCP SHCH Margin Amount for the absorption of losses incurred by OTC Clear as a result of the default of the Special Clearing House Participant;

- (c) to obtain any advice or assistance from the Special Clearing House Participant and/or any third party as OTC Clear may deem necessary for any matter arising out of or in connection with an SHCH Event of Default and at the expense of the Special Clearing House Participant; and/or
- (d) to withdraw any Collateral posted as the Inter-CCP OTCC Margin Amount.

21J04. Without prejudice to the right of OTC Clear to take any step pursuant to Clearing Rule 21J03, OTC Clear may, upon declaring the Special Clearing House Participant as the Defaulting Special Clearing House Participant:

- (1) issue a cautionary notice to the Special Clearing House Participant including such directions and requirements to be complied with by the Special Clearing House Participant within such time period as OTC Clear may think fit;
- (2) commence proceedings against the Special Clearing House Participant for any General Losses and Unpaid Amounts that remain undischarged after the application of resources available to OTC Clear pursuant to these Clearing Rules; and/or
- (3) withdraw the Clearing Link Services, by:
 - (a) declaring the occurrence of a Contract Termination Event in respect of all Contracts between OTC Clear and all Non-Defaulting Clearing Members in whole as Identified Contracts; and
 - (b) declaring the termination of the Clearing Link Services,

where, for the avoidance of doubt, the Identified Contracts shall be terminated as of the Final Settlement Cycle Determination Date for such Contract Termination Event as determined pursuant to section 10.5.2 of the Clearing Procedures and the Contract Termination Net Payment will be calculated by OTC Clear.

Termination of the Participantship of the Special Clearing House Participant

21J05. Following the termination of the Clearing Link Agreement, the Participantship of the Special Clearing House Participant and the Clearing Link Services shall terminate with effect from the Participantship Termination Date designated by OTC Clear.

Calculations of Net Payment for the Defaulting Special Clearing House Participant

21J06. Following the declaration of the Special Clearing House Participant as the Defaulting Special Clearing House Participant, for the purposes of Part 5 of Schedule 3 to the SFO, the single net sum payable by OTC Clear to the Special Clearing House Participant, or by the Special Clearing House Participant to OTC Clear, shall be determined as follows:

- (1) OTC Clear will determine the aggregate close-out value in respect of all of the Contracts in the Special Clearing House Participant's House Position Account using 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 Early Termination Date, provided that if such curves are not constructed by the Special Clearing House Participant on the Early Termination Date, the aggregate close-out value shall be determined by OTC Clear. Such aggregate close-out value may be zero, positive or negative. A positive aggregate close-out value indicates an overall sum being payable by OTC Clear to the Special Clearing House Participant in

respect of such capacity; and a negative aggregate close-out value indicates an overall sum being payable by the Special Clearing House Participant to OTC Clear in respect of such capacity; and

- (2) if the aggregate close-out value determined pursuant to sub-paragraph (1) above is a negative number, such value shall be netted against the value (expressed as a positive number) of all Collateral comprising the Margin Balance of the Special Clearing House Participant, each as at the Early Termination Date, reflecting the application of such resources available to OTC Clear towards Unpaid Amounts and General Losses pursuant to these Clearing Rules. If the aggregate close-out value determined pursuant to sub-paragraph (1) above is zero or a positive number, such value shall be aggregated with the value (expressed as a positive number) of all Collateral comprising the Margin Balance of the Special Clearing House Participant, each as at the Early Termination Date.

21J07. Following the determination of the net sum pursuant to Clearing Rule 21J06(2):

- (1) if the net sum determined is a positive number, then OTC Clear shall pay such net sum to the Special Clearing House Participant, and if the net sum determined is a negative number, then the Special Clearing House Participant shall pay such net sum to OTC Clear;
- (2) any property which has been provided by the Special Clearing House Participant as market collateral shall cease to be market collateral (for the purpose of this sub-paragraph (2), the term “market collateral” bears the meaning set out in section 18 of the SFO); and
- (3) OTC Clear shall certify the net sum referred to in this Clearing Rule 21J07 as being payable by OTC Clear to the Special Clearing House Participant or by the Special Clearing House Participant to OTC Clear, or, if there is no such net sum, OTC Clear shall certify that fact.

General Provisions relating to the Special Clearing House Participant

21J08. The exercise by OTC Clear of any of its rights under these Clearing Rules is without prejudice to and shall not preclude OTC Clear from exercising any other rights (including the right to take disciplinary action) in respect of any default by the Special Clearing House Participant. Furthermore, no delay or omission on the part of OTC Clear in exercising any right, power or remedy shall impair such right, power or remedy or operate as any kind of waiver.

21J09. A receiver, liquidator or other similar official appointed in respect of the Special Clearing House Participant must comply with any directions given by OTC Clear (or by any Person appointed by OTC Clear) pursuant to these Clearing Rules.

Indemnity

21J10. The Special Clearing House Participant shall indemnify OTC Clear, its Affiliates and any recognized exchange controller which is the controller of OTC Clear, and keep OTC Clear, its Affiliates and any recognized exchange controller which is the controller of OTC Clear indemnified, from and against any loss, cost (including hedging costs, costs of enforcement) or interests which OTC Clear, its Affiliate or a recognized exchange controller which is the controller of OTC Clear incurred as a direct consequence of any SHCH Event of Default.

OTC Clear Default

- 21J11. If OTC Clear fails to make, when due, any payment to the Special Clearing House Participant arising from a Contract, the Special Clearing House Participant may, subject to consultation with the PBOC, and subject to the expiry of any applicable Tolerance Period, provide a notice in writing to OTC Clear formally informing OTC Clear of such failure pursuant to this Clearing Rule 21J11.
- 21J12. An “**OTC Clear Failure to Pay SHCH Event**” shall be deemed to occur upon the receipt of the notice specified in Clearing Rule 21J11 by OTC Clear.
- 21J13. Upon the occurrence of an OTC Clear Failure to Pay SHCH Event or an OTC Clear Insolvency Event, the Special Clearing House Participant may, subject to consultation with the PBOC, deliver a notice to OTC Clear to designate an Early Termination Date with respect to all Contracts then registered in the name of the Special Clearing House Participant.
- 21J14. In the event that the Special Clearing House Participant delivers a notice to OTC Clear to terminate all of its Contracts then registered with OTC Clear pursuant to Clearing Rule 21J13 as a result of the occurrence of an OTC Clear Insolvency Event or OTC Clear Failure to Pay SHCH Event, then all Contracts of the Special Clearing House Participant will be terminated with effect from such date as determined by the Special Clearing House Participant (such day being the “**Early Termination Date**” for the purpose of this Clearing Rule 21J14) and Clearing Rule 21J15 will apply.

Calculations of Net Payment following OTC Clear Default

- 21J15. Upon the designation of an Early Termination Date with respect to all Contracts then registered in the name of the Special Clearing House Participant pursuant to Clearing Rule 21J14:
- (1) all obligations of OTC Clear and the Special Clearing House Participant in respect of any such Contract between them shall cease to exist and be replaced with the obligation to pay the termination amounts determined under sub-paragraph (3) below. The close-out value for each Contract shall be determined by the Special Clearing House Participant 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 that Northbound Clearing Day;
 - (2) the Margin Balance of the Special Clearing House Participant then held by OTC Clear in respect of the Special Clearing House Participant shall be returned to the Special Clearing House Participant;
 - (3) the Special Clearing House Participant shall on, or as soon as reasonably practicable after, the Early Termination Date, calculate a net sum payable by or to OTC Clear. In determining such net sum, the Special Clearing House Participant will take into account the close-out values established for each Contract pursuant to sub-paragraph (1) above, and the value of all other amounts which is due to OTC Clear from the Special Clearing House Participant or which is due to the Special Clearing House Participant from OTC Clear under these Clearing Rules or the Clearing Link Agreement, in each case, whether future, liquidated or unliquidated, actual or contingent. The Special Clearing House Participant will determine any such net sum payable by or to OTC Clear in CNY; and

- (4) if, pursuant to sub-paragraph (3) above, a net sum is determined to be payable by OTC Clear to the Special Clearing House Participant (expressed as a negative number), the Special Clearing House Participant shall apply the balance standing to the credit of the PRC Collateral Account (expressed as a positive number) against such net sum. If, pursuant to sub-paragraph (3) above, a net sum is determined to be payable by the Special Clearing House Participant to OTC Clear (expressed as a positive number) or zero, such net sum shall be aggregated with the balance standing to the credit of the PRC Collateral Account (expressed as a positive number). After application of the balance standing to the credit of the PRC Collateral Account:
- (a) if a net sum is determined to be payable by the Special Clearing House Participant to OTC Clear, the Special Clearing House Participant will, as soon as reasonably practicable, notify OTC Clear of such net sum, and the Special Clearing House Participant shall pay such net sum to OTC Clear; or
 - (b) if there remains a net sum payable by OTC Clear to the Special Clearing House Participant, the Special Clearing House Participant will, as soon as reasonably practicable, notify OTC Clear of such net sum and OTC Clear shall pay such net sum to the Special Clearing House Participant.

The obligations of the Special Clearing House Participant to pay any amounts due and payable to OTC Clear pursuant to this Part VA, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement shall survive the Participantship Termination Date relating to the Special Clearing House Participant.

Upon termination of the Contracts registered in the name of the Special Clearing House Participant in accordance with sub-paragraph (1), OTC Clear may declare the occurrence of a Contract Termination Event in respect of all Contracts between OTC Clear and all Non-Defaulting Clearing Members in whole as Identified Contracts. For the avoidance of doubt, the Identified Contracts shall be terminated as of the Final Settlement Cycle Determination Date for such Contract Termination Event as determined pursuant to section 10.5.2 of the Clearing Procedures and the Contract Termination Net Payment will be calculated by OTC Clear.

- 21J16. OTC Clear will, as soon as reasonably practicable, inform the SFC of the occurrence of an OTC Clear Failure to Pay SHCH Event.

Chapter 21K Rates and FX Guarantee Resources

- 21K01. OTC Clear and the Special Clearing House Participant acknowledge and agree that the consequences that apply to a Clearing Member following the occurrence of a DMP Event with respect to one or more Clearing Members or the Special Clearing House Participant are set out in Chapter 15 of the Clearing Rules.
- 21K02. For the purposes of the calculations and adjustments conducted under the Loss Distribution Process, the House Position Account registered in the name of the Special Clearing House Participant will be exempted from application of Gainer VM Flow Adjustment and Loser VM Flow Adjustment.
- 21K03. OTC Clear shall notify the Special Clearing House Participant of the occurrence of a Rates and FX Clearing Termination Event. For the avoidance of doubt, no limited recourse wind down of the Rates and FX Clearing Services shall apply with respect to the Special Clearing House Participant.

Chapter 21L Default Management Process

Default Management Process

21L01. The “**Default Management Process (SHCH)**” means the provisions set out in this Chapter 21L, or the process described therein, as applicable, which shall be carried out by OTC Clear, after consultation with, and with the assistance of, the Default Management Group. With respect to the Special Clearing House Participant, the Default Management Process shall commence immediately following the delivery of a notice to the Special Clearing House Participant declaring the occurrence of an SHCH Event of Default pursuant to Clearing Rule 21J02, which shall be a DMP Event.

21L02. Upon the occurrence of a DMP Event with respect to the Special Clearing House Participant pursuant to Clearing Rule 21L01, OTC Clear will arrange for the following to occur in the order set out below:

- (1) to convene the Default Management Group; and
- (2) to terminate all Contracts registered in the name of the Special Clearing House Participant, and all Contracts which have equal but opposite terms to such Contracts registered in the name of the Special Clearing House Participant, and the Contract Termination Net Payment will be calculated by OTC Clear.

General Provisions relating to the Special Clearing House Participant

21L03. The Special Clearing House Participant shall not participate in the Default Management Process with respect to one or more Clearing Members. Notwithstanding the immediately foregoing, the Special Clearing House Participant shall provide all reasonable assistance to OTC Clear in connection with the Auction process in relation to such Default Management Process.

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).

Chapter 21N Confidentiality Obligations relating to receipt of DMP Information

Confidentiality

21N01. The Special Clearing House Participant agrees and undertakes that, in consideration of it being provided the DMP Information, it shall (and shall procure that each of its clearing participants whom it provides such DMP Information shall):

- (1) keep all the DMP Information confidential;
- (2) only use the DMP Information for the Permitted Purpose and comply with the provisions of the Default Management Process in respect thereof; and
- (3) upon demand by OTC Clear and to the extent reasonably practicable, promptly return to OTC Clear all or any part of the DMP Information in its possession in whatever form it may be by a secure method of transportation, or, save and except for any electronic back-up copies which are not readily accessible to it or its clearing participants, destroy or procure the destruction of any copies or reproductions of any material, paper, programme or record incorporating the DMP Information including the destruction or expungement thereof from any memory device or medium, provided that it and its clearing participants may retain copies of any DMP Information as required by law.

Upon demand by OTC Clear, the Special Clearing House Participant shall provide to OTC Clear a written confirmation that all the provisions of sub-paragraph (3) above have been fully complied with.

21N02. The Special Clearing House Participant agrees and undertakes that it shall (and shall procure that each of its clearing participants shall) only disclose the DMP Information to its employees, officers, representatives, advisers or Affiliates for the Permitted Purpose (and to that extent only) on a “strictly need to know” basis.

21N03. The Special Clearing House Participant shall (and shall procure that each of its clearing participants shall) establish adequate procedures and mechanisms, including the establishment of Information Barriers, to ensure that the DMP Information is, at all times, solely used for the Permitted Purpose by it and any of its employees, officers, representatives, advisers or Affiliates.

21N04. Nothing in these Clearing Rules shall prohibit disclosure or use of the DMP Information if and to the extent:

- (1) it becomes publicly available otherwise than as a result of a breach of the provisions of these Clearing Rules by the Special Clearing House Participant and/or its clearing participants and in particular the Default Management Process;
- (2) the Special Clearing House Participant and/or its clearing participants is required to do so by order of a court of competent jurisdiction which arises as a result of an application by a third party;
- (3) the Special Clearing House Participant and/or its clearing participants is required or requested to do so by any Regulatory Authority asserting jurisdiction over the Special Clearing House Participant and/or its clearing participants; or
- (4) OTC Clear has given prior written approval to the disclosure.

Term

21N05. In respect of the Special Clearing House Participant and each of its clearing participants, the confidentiality obligations set out in this Chapter 21N shall continue for a period of two years from the date on which the DMP Information is provided by OTC Clear to the Special Clearing House Participant, or by OTC Clear and/or the Special Clearing House Participant to the clearing participants of the Special Clearing House Participant. The immediately foregoing shall not prejudice any other confidentiality obligations imposed on the Special Clearing House Participant or its clearing participants under any Applicable Laws.

Rights to DMP Information

21N06. The parties acknowledge that the DMP Information or any part of it shall remain the property of OTC Clear. None of the Special Clearing House Participant, its clearing participants and any of their employees, officers, representatives, advisers or Affiliates shall be entitled to any right or licence in respect thereof.

Relief

21N07. The Special Clearing House Participant expressly acknowledges and agrees that the DMP Information may contain commercially sensitive information which if used otherwise than in accordance with the Default Management Process or for the Permitted Purpose, may result in irreparable harm to OTC Clear which damages alone may not be an adequate remedy, and will result in it or its clearing participants gaining an unfair commercial advantage over other Clearing Members.

Accordingly, the Special Clearing House Participant acknowledges that OTC Clear may seek injunctive relief, whether interim or final, specific performance, other reliefs or any other combination of these remedies against it in the event of any threatened or actual breach of the terms of use of DMP Information as set out in this Chapter 21N by it, its clearing participants or any of their employees, officers, representatives, advisers or Affiliates, and no proof of special damages will be necessary to enforce OTC Clear's rights to such remedies.

In the event of any threatened or actual breach of the terms of use of DMP Information as set out in this Chapter 21N by a clearing participant of the Special Clearing House Participant or any of its employees, officers, representatives, advisers or Affiliates, the Special Clearing House Participant expressly agrees that it shall (i) take all appropriate actions to prevent and rectify such threatened or actual breach, including seeking injunctive relief, whether interim or final, specific performance, other reliefs or any other combination of these remedies against its clearing participant and (ii) (if OTC Clear elects to take the aforementioned actions) provide all reasonable assistance to OTC Clear in seeking such, and no proof of special damages will be necessary to enforce OTC Clear's rights to such remedies.

21N08. The rights of OTC Clear under Clearing Rule 21N07 shall be in addition to OTC Clear's other rights in law or in equity specific performance, other equitable reliefs or any other combination of these remedies.

Chapter 21O Product Specific Terms for Inter-CCP Rates Derivatives Contracts

Product Specific Terms for Inter-CCP Rates Derivatives Contracts

21O01. An Inter-CCP Rates Derivatives Contract shall be created in accordance with the SHCH Clearing Rules and the SHCH Clearing Guidelines. This Chapter 21O sets out a summary of the product specific terms of such Inter-CCP Rates Derivatives Contracts in English for ease of reference only.

Interpretation

21O02. The Chinese version of the NAFMII Definitions is incorporated by reference into the terms of an Inter-CCP Rates Derivatives Contract. OTC Clear may from time to time publish a notice appending the English translation of the relevant NAFMII Definitions as used in this Chapter 21O for reference only.

Economic Terms

21O03. The Economic Terms of an Inter-CCP Rates Derivatives Contract are derived from the Transaction Data relating to the corresponding Inter-CCP Rates Derivatives transaction.

General Terms

21O04. The Special Clearing House Participant shall be deemed the Calculation Agent in respect of each Inter-CCP Rates Derivatives Contract between OTC Clear and the Special Clearing House Participant.

21O05. Each Inter-CCP Rates Derivatives Contract between OTC Clear and the Special Clearing House Participant shall be governed by and construed in accordance with the laws of the PRC and any dispute shall be resolved by arbitration in Hong Kong pursuant to the arbitration rules of the Hong Kong International Arbitration Centre.

Appendix

Inter-CCP SHCH Charge Agreement

INTER-CCP SHCH CHARGE AGREEMENT ENTERED INTO PURSUANT TO THE CLEARING LINK AGREEMENT AND CLEARING RULES

THIS AGREEMENT is dated the date of the Clearing Link Agreement and made between:

- (1) **Interbank Market Clearing House Co., Limited**, a company lawfully established in accordance with the laws of the PRC, with valid existence and whose residence is at 2 East Beijing Road, Shanghai 200002 ("**SHCH**"); and
 - (2) **OTC Clearing Hong Kong Limited**, a company lawfully incorporated in accordance with the laws of Hong Kong, with valid existence and whose registered office is at 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong ("**OTC Clear**");
- (each a "**Party**" and together the "**Parties**").

BACKGROUND

- (A) SHCH and OTC Clear are entering into this Agreement in connection with the Clearing Link Agreement.
- (B) From time to time, SHCH shall deposit cash into an Account designated by it and OTC Clear pursuant to the Clearing Link Agreement. Such cash deposited into and held in the Accounts and the Security Assets are "market collateral" and the Security Interests are "market charge" as defined under the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
- (C) The board of directors of SHCH is satisfied that entering into this Agreement is in the interest of, for the purposes and to the benefit of SHCH and its business.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Account (BOCHK)**" means the bank account in the name of OTC Clear held with BOCHK with SWIFT code BKCHHKHHXXX, account number 01287520762126 (as may be renumbered or re-designated from time to time) and named OTC Clearing Hong Kong Limited (Lockbox).

"**Account (ICBCA)**" means the bank account in the name of OTC Clear held with ICBCA with SWIFT code UBHKHKHHXXX, account number 861530208511 (as may be renumbered or re-designated from time to time) and named OTC Clearing Hong Kong Limited (Lockbox).

"**Accounts**" means the Account (BOCHK) and the Account (ICBCA).

"**Assets**" means all of OTC Clear's right, title and interest from time to time in and to:

- (a) the Custodian Documents; and

(b) the Accounts.

“BOC” means Bank of China Limited.

“BOCHK” means Bank of China (Hong Kong) Limited as account bank of the Account (BOCHK).

“Cash Collateral” means, as at any time, (i) the cash deposited by SHCH into the Accounts and any interest amount credited into the Accounts, (ii) the balance standing to the credit of the Accounts at that time and (iii) the debt represented by them.

“Clearing Link Agreement” means the agreement dated 15 May 2023 between OTC Clear and SHCH, as amended and/or supplemented from time to time.

“Clearing Link Other Termination Event” means the termination of the Clearing Link Agreement other than due to the occurrence of an SHCH Event of Default or an OTCC Event of Default.

“Clearing Rules” means the clearing rules of OTC Clear as from time to time in effect and shall include the Clearing Procedures.

“Collateral Management Agreement (BOC)” means the Swap Connect Collateral Management Agreement dated 15 May 2023 between SHCH, OTC Clear, BOCHK and BOC.

“Collateral Management Agreement (ICBC)” means the Swap Connect Collateral Management Agreement dated 15 May 2023 between SHCH, OTC Clear, ICBCA and ICBC.

“Collateral Management Agreements” means the Collateral Management Agreement (BOC) and the Collateral Management Agreement (ICBC).

“CPO” means the Conveyancing and Property Ordinance (Cap. 219) of the Laws of Hong Kong.

“Custodian Documents” means any of the account opening documents executed by OTC Clear in respect of the establishment of the Accounts.

“Documents” means the Clearing Link Agreement, the Clearing Documentation and the Collateral Management Agreements.

“Hong Kong Custodian Banks” means BOCHK and ICBCA.

“ICBC” means Industrial and Commercial Bank of China Limited.

“ICBCA” means Industrial and Commercial Bank of China (Asia) Limited as account bank of the Account (ICBCA).

“Liabilities” means all present and future moneys, debts, liabilities and obligations due, owing or incurred by SHCH to OTC Clear under or in connection with any Inter-CCP Rates Derivatives Contracts and the Documents (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise).

“OTCC Event of Default” means an OTC Clear Failure to Pay SHCH Event or an OTC Clear Insolvency Event.

“PRC Custodian Banks” means BOC and ICBC.

"SHCH Rights" means:

- (a) all of SHCH's rights against the Hong Kong Custodian Banks in the Cash Collateral;
- (b) all of SHCH's rights to direct the Hong Kong Custodian Banks and the PRC Custodian Banks under the Documents for the Hong Kong Custodian Banks to release the Excess Inter-CCP SHCH Margin from the respective Account;
- (c) all of SHCH's rights against OTC Clear, the Hong Kong Custodian Banks and the PRC Custodian Banks for the Hong Kong Custodian Banks to return the Cash Collateral under the Documents; and
- (d) all of SHCH's rights against any third parties (including its clearing participants) with respect to the Cash Collateral.

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Assets" means the assets which from time to time are, or expressed to be, the subject of the Security Interests or any part of those assets.

"Security Interests" means all or any of the Security created or expressed to be created in favour of OTC Clear by or pursuant to this Agreement.

1.2 Incorporation of defined terms

Unless a contrary indication appears, terms defined in the Clearing Link Agreement and the Clearing Rules have the same meaning in this Agreement.

1.3 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) **"OTC Clear", "SHCH", "BOC", "BOCHK", "ICBC", "ICBCA", "Hong Kong Custodian Bank", "PRC Custodian Bank"** or any **"Party"** shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Documents; and
 - (ii) any **"Contract"**, any **"Clearing Documentation"**, **"Clearing Link Agreement"**, **"Collateral Management Agreement"** or any other agreement or instrument is a reference to that Contract, Clearing Documentation, Clearing Link Agreement, Collateral Management Agreement or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced.
- (b) The provisions in Clearing Rules 102 to 108 apply to this Agreement with all necessary changes.
- (c) In the context of the rights, powers, privileges, discretions and immunities conferred on OTC Clear, references to charge or mortgage in any provision of the CPO shall, for the purposes of this Agreement, be deemed to be references to the Security Interests and references to

mortgaged land in any provision of the CPO shall, for the purposes of this Agreement, be deemed to be references to the Security Assets.

1.4 Third Party Rights

- (a) Unless expressly provided to the contrary in the Documents, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) of the Laws of Hong Kong to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of any Documents, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

2. CREATION OF SECURITY INTERESTS

SHCH, as continuing security for the due and punctual payment and discharge of all Liabilities:

- (a) mortgages, charges and pledges and agrees to mortgage, charge and pledge in favour of OTC Clear by way of first mortgage and first fixed charge, the Cash Collateral; and
- (b) assigns and charges and agrees to assign and charge to OTC Clear by way of security and first fixed charge, the SHCH Rights.

3. RESTRICTIONS AND FURTHER ASSURANCE

3.1 Withdrawals

- (a) OTC Clear shall only be permitted to withdraw the Cash Collateral upon the occurrence of (i) an SHCH Event of Default or (ii) a Clearing Link Other Termination Event and SHCH owed the net sum to OTC Clear.
- (b) At any time prior to the occurrence of (i) an SHCH Event of Default or (ii) a Clearing Link Other Termination Event and SHCH owed the net sum to OTC Clear, the Parties agree that neither OTC Clear nor SHCH shall make any withdrawal of any Cash Collateral from the Accounts, except:
 - (i) any Cash Collateral in the Accounts (which, for the avoidance of doubt, includes interest amount credited into the Accounts) in excess of the Inter-CCP SHCH Margin Amount in respect of a Northbound Clearing Day may be withdrawn by SHCH in accordance with the relevant Collateral Management Agreement; and
 - (ii) all Cash Collateral in the Accounts may be withdrawn by SHCH in accordance with the relevant Collateral Management Agreement upon the designation of an Early Termination Date due to the occurrence of an OTCC Event of Default or a Clearing Link Other Termination Event and OTC Clear owed the net sum to SHCH.
- (c) For the avoidance of doubt, any unused Cash Collateral in the Accounts (if any) shall be transferred by OTC Clear to SHCH in accordance with the relevant Collateral Management Agreement after the termination of all Inter-CCP Rates Derivatives Contracts and settlement

of all relevant payments following the occurrence of (i) an SHCH Event of Default or (ii) a Clearing Link Other Termination Event.

3.2 Negative pledge

- (a) SHCH shall not create or permit to subsist any Security over any Security Asset, except for the Security Interests.
- (b) At any time prior to the occurrence of (i) an SHCH Event of Default or (ii) a Clearing Link Other Termination Event and SHCH owed the net sum to OTC Clear, OTC Clear shall not create or permit to subsist any Security over the Assets.

3.3 Disposals

- (a) SHCH shall not (nor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, withdraw, transfer or otherwise dispose of any Security Asset.
- (b) At any time prior to the occurrence of (i) an SHCH Event of Default or (ii) a Clearing Link Other Termination Event and SHCH owed the net sum to OTC Clear, OTC Clear shall not (nor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, withdraw, transfer or otherwise dispose of any Asset.

3.4 Further assurance

- (a) SHCH shall promptly do whatever OTC Clear requires to perfect or protect the Security Interests or the priority of the Security Interests, or to facilitate the realisation of the Security Assets or the exercise of any rights vested in OTC Clear, including making any registration and giving any notice, order or direction.
- (b) SHCH shall take all such action as is available to it (including making all filings and registrations) as may from time to time be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on OTC Clear by or pursuant to this Agreement.

3.5 Notice of assignment

SHCH shall, and hereby authorises OTC Clear (on behalf of SHCH and OTC Clear) to, give notice of the assignment and charge in Clause 2 (*Creation of security interests*) (in a form agreed between SHCH and OTC Clear) on the date of this Agreement and SHCH shall use its best endeavours to ensure that the recipient of that notice signs and returns the relevant form of acknowledgement.

4. GENERAL UNDERTAKINGS

4.1 Information

SHCH shall supply to OTC Clear promptly such information regarding the Security Assets and its compliance with this Agreement as OTC Clear may reasonably request.

4.2 No prejudicial conduct

SHCH shall not do, or permit to be done, anything which could prejudice the Security Interests.

5. ENFORCEMENT

When enforceable

The Security Interests shall be immediately enforceable on and at any time after the occurrence of (i) an SHCH Event of Default or (ii) a Clearing Link Other Termination Event, and OTC Clear:

- (i) may enforce all or any part of the Security Interests (at the times, in the manner and on the terms it thinks fit), apply and set off any obligation due from SHCH to OTC Clear under any Inter-CCP Rates Derivatives Contracts or Documents against any obligation owed by OTC Clear to SHCH under any Inter-CCP Rates Derivatives Contracts or Documents and take possession (including to instruct the Hong Kong Custodian Banks to transfer the Security Assets into an account in the name of, or nominated by, OTC Clear) and hold or dispose of all or any part of the Security Assets; and
- (ii) may exercise all or any of the powers, authorities and discretions given to mortgagees and receivers by the CPO as varied or extended by this Agreement or otherwise conferred by law. Such statutory powers shall arise on the date of this Agreement and no restriction imposed by any ordinance or other statutory provision in relation to the exercise of any such powers shall apply to this Agreement.

6. POWER OF ATTORNEY

6.1 Appointment

SHCH by way of security irrevocably appoints OTC Clear as its attorney (with full power of substitution), on its behalf and in its name or otherwise, at such time and in such manner as the attorney thinks fit, to do anything and execute any documents which SHCH is obliged to do or execute (but has not done or executed) under any Documents and to exercise any of the rights conferred on OTC Clear in relation to the Security Assets, under or in connection with any Documents or generally under Hong Kong law.

6.2 Ratification

SHCH ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in Clause 6.1 (*Appointment*).

7. SAVING PROVISIONS

7.1 Continuing Security

Subject to Clause 8 (*Discharge of Security*), the Security Interests are continuing Security and will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.

7.2 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of SHCH or any security for those obligations or otherwise) is made by OTC Clear in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of SHCH and the Security Interests will continue or be reinstated as if the discharge, release or arrangement had not occurred.

7.3 Waiver of defences

Neither the obligations of SHCH under this Agreement nor the Security Interests will be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under any Inter-CCP Rates Derivatives Contracts or Documents or any of the Security Interests (without limitation and whether or not known to it or OTC Clear), including without limitation:

- (a) any time, waiver or consent granted to, or composition with, SHCH or other person;
- (b) the release of SHCH or any other person under the terms of any composition or arrangement with any creditor of SHCH;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, SHCH or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security; or
- (d) any insolvency or similar proceedings.

7.4 Immediate recourse

SHCH waives any right it may have of first requiring OTC Clear (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from SHCH under this Agreement. This waiver applies irrespective of any law or any provision of any Inter-CCP Rates Derivatives Contracts or Documents to the contrary.

7.5 Appropriations

Until all the Liabilities have been irrevocably paid in full, OTC Clear (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by it (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and SHCH shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from SHCH or on account of SHCH's liability under this Agreement.

7.6 Additional security

The Security Interests are in addition to and are not in any way prejudiced by any other guarantee or security now or subsequently held by OTC Clear.

8. DISCHARGE OF SECURITY

8.1 Final redemption

Subject to Clause 8.2 (*Retention of security*), if OTC Clear is satisfied that all Liabilities have been irrevocably paid in full and that the Clearing Link Agreement and the Clearing Link Services have been terminated, OTC Clear shall release, reassign or discharge (as appropriate) the Security Assets from the Security Interests.

8.2 Retention of security

If OTC Clear considers that any amount paid or credited to it under any Inter-CCP Rates Derivatives Contracts or Documents is capable of being avoided or otherwise set aside, that amount shall not be considered to have been paid for the purposes of determining whether all the Liabilities have been irrevocably paid.

8.3 Withdrawals

If any Cash Collateral is withdrawn or otherwise transferred, applied and/or set off from the Accounts as permitted by Clause 3.1 (*Withdrawals*) or Clause 5 (*When enforceable*), that amount shall be automatically released from the Security Interests at the time that withdrawal, transfer, application and/or set off was being made.

9. PAYMENTS

9.1 Demands

Any demand for payment made by OTC Clear shall be valid and effective.

9.2 Payments

All payments by SHCH under this Agreement (including damages for its breach) shall be made to such account, with such financial institution and in such other manner as OTC Clear may direct.

10. RIGHTS, WAIVERS AND DETERMINATIONS

10.1 Remedies and waivers

No failure to exercise, nor any delay in exercising, on the part of OTC Clear any right or remedy under this Agreement shall operate as a waiver of any such right or remedy or constitute an election to affirm this Agreement. No waiver or election to affirm this Agreement on the part of OTC Clear shall be effective unless in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

10.2 Determinations

Any determination by or certificate of OTC Clear under this Agreement is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

11. SEPARATE AND INDEPENDENT OBLIGATIONS

The Security created by SHCH by or in connection with any Inter-CCP Rates Derivatives Contracts or Documents is separate from and independent of the Security created or intended to be created by any other person by or in connection with any Inter-CCP Rates Derivatives Contracts or Documents.

12. AMENDMENT AND ASSIGNMENT

- 12.1 No amendment to this Agreement shall be effective unless in writing and signed by or on behalf of each of the Parties or their representatives.
- 12.2 No Party may, without the prior written consent of the other Party, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement.

13. GOVERNING LAW

This Agreement is governed by Hong Kong law.

14. ENFORCEMENT

- 14.1 The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) (a "**Dispute**").
- 14.2 The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- 14.3 SHCH irrevocably appoints Oldham, Li & Nie of Suite 503, 5/F, St. George's Building, 2 Ice House Street, Central, Hong Kong (Fax No. +852 2810 6796) as its agent to receive on its behalf in Hong Kong service of any proceedings under this Agreement. Such service shall be deemed completed upon delivery to such agent (whether or not it is forwarded to and received by SHCH) and shall be valid until such time as OTC Clear has received prior written notice that such agent has ceased to act as agent for SHCH. If for any reason such agent ceases to be able to act as agent or no longer has an address in Hong Kong, SHCH shall forthwith appoint a substitute agent acceptable to OTC Clear and deliver to OTC Clear the new agent's name, address and fax number in Hong Kong.

This Agreement has been entered into by the Parties on the date stated at the beginning pursuant to clause 9.1(ii) of the Clearing Link Agreement.

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.

OTC Clear Clearing Procedures

Chapter 1

Introduction to Clearing Procedures

1.2 Amendments

Subject to the SFO and the Articles of Association of OTC Clear:

- (i) the OTC Clear Board, after consultation with the Risk Management Committee, shall have the power to amend this section 1.2 and add to, vary or waive any of these Clearing Procedures set out in Chapter 2, Chapter 4, Chapter 5, Chapter 6, Chapter 8, Chapter 10 and Chapter 11 of these Clearing Procedures; and
- (ii) the OTC Clear Board shall have the power to amend, add to, vary or waive any of the remaining Clearing Procedures which are not referred to in sub-paragraph (i) above without first consulting the Risk Management Committee.

Without prejudice to the foregoing, OTC Clear recognizes that circumstances may arise which may require it to make ad hoc or urgent decisions on a case specific basis or where a meeting of the OTC Clear Board and/or the Risk Management Committee cannot be convened in a timely manner. Accordingly, the OTC Clear Board may delegate its powers under sub-paragraphs (i) and (ii) above to the chief executive or such other senior executives of OTC Clear as it considers appropriate provided that in respect of matters referred to in sub-paragraph (i) above, the chairman of the Risk Management Committee shall be consulted before a decision is made.

1.3 Operations of the Rates and FX Clearing Services and Clearing Link Services

Unless otherwise notified, the “Margin Process” described in section 4.6 of these Clearing Procedures and related curve construction or calculations will be performed during 08:30 – 19:00 hours Hong Kong time on each OTC Clear Clearing Day and on each Northbound Clearing Day (the “**Margin Process Hours**”).

The product eligibility requirements check in respect of Original Transactions described in section 3.4 of these Clearing Procedures will be performed during 08:30 – 19:00 hours Hong Kong time on each OTC Clear Clearing Day.

Unless otherwise notified, the product eligibility requirements check in respect of Original Northbound Transactions described in section 3.4.5 of these Clearing Procedures will be performed during 09:00 – 17:30 hours Hong Kong time on each Northbound Clearing Day.

Chapter 2

Membership

2.1 Membership Application Process

2.1.5 Approval of Application

Once the application review process has been completed by OTC Clear, the application will be approved or rejected by the OTC Clear Board, in consultation with the Risk Management Committee (provided that such committee has been constituted).

Pursuant to Clearing Rule 308, the OTC Clear Board may, in consultation with the Risk Management Committee (provided that such committee has been constituted), also approve an application in principle subject to the Applicant's fulfilment of conditions set by the OTC Clear Board. Upon receipt of the conditional approval, the Clearing Member may submit Original Transactions and Original Northbound Transactions for registration by OTC Clear, provided that Clearing Rule 308 shall apply if a Clearing Member fails to fulfil the conditions within the specific time.

The OTC Clear Board's decision will be final and Applicants will be given written notice of approval or rejection. A failed Applicant may request OTC Clear to provide reasons for rejection of its application for Membership.

In accordance with Clearing Rule 405, Membership may not be assigned, transferred or sold without the prior written approval of OTC Clear Board.

2.1.7 Designated Person

A Designated Person may submit Original Transactions and Original Northbound Transactions for registration on behalf, and in the name, of its Clearing Member pursuant to the provisions of Chapter 7 of the Clearing Rules.

2.3 Clearing Members' On-going Requirements and Obligations

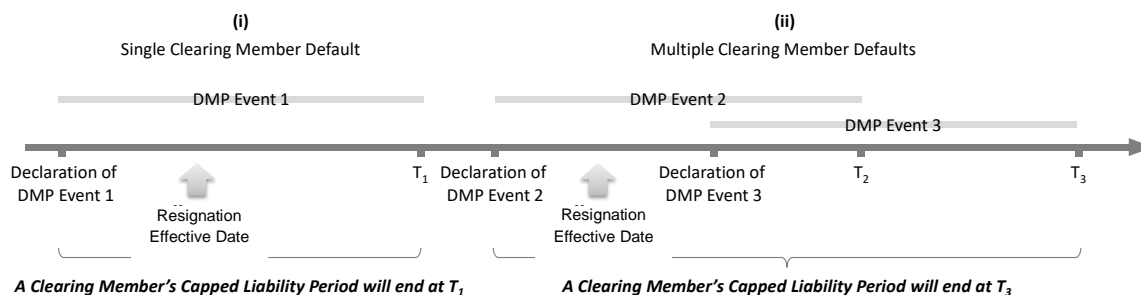
OTC Clear's requirements in respect of Clearing Members are designed to ensure Clearing Members have sufficient financial resources and the relevant infrastructure for submission of Original Transactions and Original Northbound Transactions for registration as Contracts with OTC Clear.

2.9 Capped Liability Period

In connection with Clearing Rules 609 and 1544, the following diagram illustrates how a Clearing Member's Maximum Current Liability is determined in respect of each Capped Liability Period:

- (i) if there is a single DMP Event (i.e. no other DMP Event has occurred in the period 20 OTC Clear Business Days prior or after such DMP Event), then the Capped Liability Period is the period from the declaration of such DMP Event to the 20th OTC Clear Business Day after such declaration; or
- (ii) if there are multiple DMP Events occurring in close succession and each of them occurred within 20 OTC Clear Business Days of another DMP Event, then the Capped Liability Period is the period from declaration of the first DMP Event (i.e. no other DMP Event has occurred

within 20 OTC Clear Business Days prior to such DMP Event) to the 20th OTC Clear Business Day after the last of such declared DMP Event.



Note: A Clearing Member's Maximum Current Liability will be capped at a predetermined amount (i.e. its Rates and FX Guarantee Fund Requirement plus its proportionate share of the Rates and FX Assessments)

Chapter 3

Rates and FX Clearing Services and Clearing Link Services

3.1 Overview

Upon execution of an Original Transaction, Clearing Members or Clients who are parties to such Original Transaction and who wish to submit such Original Transaction for registration with OTC Clear shall submit such instructions to the same Approved Trade Registration System.

Upon execution of an Original Northbound Transaction, Clearing Members, Clients or PRC dealers who are parties to such Original Northbound Transaction and who wish to submit such Original Northbound Transaction for registration with OTC Clear and the Special Clearing House Participant through the Clearing Link Services shall submit such instructions to OTC Clear and the Special Clearing House Participant via the Approved Trade Registration System operated by CFETS.

Upon receipt of such instructions, the relevant Approved Trade Registration System will perform matching of the instructions. As described in section 3.2, each Approved Trade Registration System is a system provided by a third-party vendor and as such, OTC Clear will not be responsible or liable for any such trade matching performed by any such Approved Trade Registration System.

After an Original Transaction or Original Northbound Transaction is matched by an Approved Trade Registration System, the Approved Trade Registration System will submit such transaction to OTC Clear or, in the case of an Original Northbound Transaction, to OTC Clear and the Special Clearing House Participant, for registration.

Any Original Transaction and Original Northbound Transaction which is submitted for registration is required to fulfil the applicable product eligibility requirements set out in section 3.4 and “Margin Process” as described in section 4.6 of these Clearing Procedures. The results of the registration will be communicated to the relevant Approved Trade Registration System and/or indicated in the “OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP03, TDRP04, TDRP05, TDRP06, TDRP11, TDRP12, TDRP13, TDRP16, TDRP17 or TDRP18)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C, TDRP03_C, TDRP04_C, TDRP05_C, TDRP06_C, TDRP11_C, TDRP12_C or TDRP13_C, TDRP16_C, TDRP17_C or TDRP18_C)” in relation to any Client Position Account. All OTC Clear Trade Reports are available to the Clearing Members on the Web Portal.

In respect of Original Transactions only, the ISDA Definitions and FX Definitions are incorporated by reference into this Chapter 3. References to “Business Day(s)” as used in this Chapter 3 with respect to Original Transactions shall have the meaning given to it in the ISDA Definitions. For the avoidance of doubt, the meaning of “Business Day” incorporated by reference in Chapter 23, Chapter 24 and Chapter 26 of the Clearing Rules shall not be applicable in this Chapter 3.

3.2 Approved Trade Registration System

OTC Clear does not discriminate or distinguish between Original Transactions or Original Northbound Transactions based upon execution method or venue. However, Original Transactions or Original Northbound Transactions will be accepted only if they are submitted through an approved matching and confirmation service for over-the-counter derivatives transactions designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice (each an “**Approved**

Trade Registration System”). Any Original Transaction or Original Northbound Transaction submitted to OTC Clear through an Approved Trade Registration System shall be deemed to be submitted for or by the relevant Clearing Member. In circumstances where the registration of an Original Transaction or Original Northbound Transaction is conditional upon the consent of the relevant Clearing Member agreeing to take up the clearing of such transaction and offer Client Clearing Services to such Client, such transaction shall be deemed to have been submitted to OTC Clear by such Clearing Member if consent of such Clearing Member is obtained. Please refer to the ATRS Guide which sets out each data field on an Approved Trade Registration System accepted by OTC Clear for the purpose of submission of an Original Transaction or Original Northbound Transaction for registration as Contracts. The ATRS Guide will also provide the relevant values applied by OTC Clear in respect of certain data fields. Each Clearing Member agrees and acknowledges that it shall be bound by the ATRS Guide.

Each of the Approved Trade Registration Systems is a system provided by a third-party vendor. OTC Clear has no involvement in and does not guarantee the level of performance, integrity or efficiency in relation to any services provided by the providers of such Approved Trade Registration Systems. The service level agreements entered into between the provider of the relevant Approved Trade Registration System and the Clearing Members govern the terms and conditions of the provision of services by the provider of such Approved Trade Registration System to the relevant Clearing Members. OTC Clear accepts no liability arising from the usage of any Approved Trade Registration System by any Clearing Member.

It is the responsibility of a Clearing Member, Client or PRC dealer to ensure that all Original Transactions or Original Northbound Transactions are submitted by its authorized personnel. Such persons are responsible for ensuring that they comply with the security and access procedures of the relevant Approved Trade Registration System. OTC Clear has no obligation to verify if the trade details are genuine and/or correctly reflect the trade which has been entered by the Clearing Member, Client or PRC dealer. OTC Clear is not liable for any losses suffered by any Clearing Member, Client or PRC dealer which are incurred by any unauthorized input of trade into the Approved Trade Registration System.

OTC Clear does not make any representation as to the accuracy of any data sent via an Approved Trade Registration System (whether by Clearing Members to OTC Clear, or by OTC Clear to Clearing Members, in each case, via an Approved Trade Registration System). A Clearing Member shall be bound by the terms and conditions of a Contract on the basis of the data sent by an Approved Trade Registration System to OTC Clear notwithstanding the existence of any incorrect or corrupted data being sent by such Approved Trade Registration System to OTC Clear. OTC Clear is not required to perform any rectification or re-registration of such Contract, and shall have no liability for any loss relating to registration of such Contract.

3.3 Process of Registration and Rejection

3.3.1 Creation of Contracts through Submission of Original Transactions or Original Northbound Transactions by Clearing Members - Status of Registration of a Transaction and Notification of Results

Each Original Transaction and Original Northbound Transaction submitted to OTC Clear for registration is required to satisfy all applicable Eligibility Requirements in order to be accepted for

clearing. Any Original Transaction or Original Northbound Transaction which contains any invalid or incomplete trade data will be rejected and will not be cleared.

Original Transactions submitted for registration before 19:00 hours Hong Kong time on an OTC Clear Clearing Day will be processed on the same day. Original Transactions submitted for registration on a day which is not an OTC Clear Clearing Day, or at or after 19:00 hours Hong Kong time on an OTC Clear Clearing Day, will be processed on the next OTC Clear Clearing Day. If the relevant Clearing Member does not have sufficient Margin in the relevant Collateral Account to satisfy the "Margin Process" check as set out in section 4.6 of these Clearing Procedures, the relevant Original Transaction will be put on "pending" status and flagged as "WAIT_MARGIN", "LIMIT_FAILED" or "PROCESSING" in the "OTC Clear Trade Report (Report Number TDRP03, TDRP04, TDRP12 or TDRP17)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C, TDRP12_C or TDRP17_C)" in relation to any Client Position Account.

If the relevant Clearing Member does not post sufficient Margin to satisfy the "Margin Process" check before 19:00 hours Hong Kong time on an OTC Clear Clearing Day, all Original Transactions on "pending" status at the 19:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected by OTC Clear. Successful or failed registration requests will be communicated to Clearing Members through the relevant Approved Trade Registration System.

Original Northbound Transactions submitted for registration before 17:30 hours Hong Kong time on a Northbound Clearing Day, will be processed on the same day. Original Northbound Transactions submitted to OTC Clear for registration on a day which is not a Northbound Clearing Day, or at or after 17:30 hours Hong Kong time on a Northbound Clearing Day will be rejected. If a Client of a Clearing Member submits an Original Northbound Transaction for registration with OTC Clear, the relevant Clearing Member must either (i) confirm its acceptance of the clearing of such Original Northbound Transaction as soon as practicable after being contacted by OTC Clear and in any case before 17:30 hours Hong Kong time on a Northbound Clearing Day, otherwise such Original Northbound Transaction will be rejected or, (ii) have provided an authenticated consent form^{*} to OTC Clear that it agrees to accept clearing of such Original Northbound Transaction so long as the aggregate risk exposure of all Standard Northbound Rates Derivatives Contracts booked into the relevant Client Position Account, including the relevant Standard Northbound Rates Derivatives Contract to be created upon the novation of such Original Northbound Transaction, does not exceed the pre-approved risk limit(s) specified by the relevant Clearing Member, based on the risk exposure calculated by OTC Clear at the time of submission of such Original Northbound Transaction; if such limit(s) will be exceeded, the relevant Clearing Member has instructed OTC Clear to reject such Original Northbound Transaction. If any of the Eligibility Requirements are not satisfied or if the Original Northbound Transaction is not also accepted for clearing by Special Clearing House Participant, such Original Northbound Transaction will be rejected. Successful or failed registration requests will be communicated by OTC Clear to the Special Clearing House Participant. The Special Clearing House Participant will subsequently run its own product eligibility and margin

^{*} Such consent form in respect of a particular Client and Client Account must have been received by OTC Clear at least one Northbound Clearing Day prior to submission of the first Original Northbound Transaction by such Client (and such consent must not have been subsequently revoked by the Clearing Member), otherwise such Original Northbound Transaction will be rejected.

checks and will notify the relevant Approved Trade Registration System if the Original Northbound Transaction is accepted or rejected for clearing through the Clearing Link Services.

Original Transactions and Original Northbound Transactions which have been rejected will be flagged as "REJECTED" in the "OTC Clear Trade Report (Report Number TDRP05, TDRP06, TDRP13 or TDRP18)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP05_C, TDRP06_C, TDRP13_C or TDRP18_C)" in relation to any Client Position Account. Both "OTC Clear Trade Report (Report Number TDRP05, TDRP06, TDRP13 or TDRP18)" and "OTC Clear Trade Report for Client (Report Number TDRP05_C, TDRP06_C, TDRP13_C or TDRP18_C)" are available to the Clearing Members on the Web Portal.

Original Transactions and Original Northbound Transactions which have been accepted will be registered by OTC Clear as two Contracts. A unique trade identification number will be assigned to each such Contract, and such trade identification number will be published in the "OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP11 or TDRP16)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C, TDRP11_C or TDRP16_C)" in relation to any Client Position Account. Both "OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP11 or TDRP16)" and "OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C, TDRP11_C or TDRP16_C)" are available to the Clearing Members on the Web Portal. In addition, Original Transactions and Original Northbound Transactions successful registered will be flagged as "CLEARED" in such "OTC Clear Trade Report (Report Number TDRP01, TDRP02 TDRP11 or TDRP16)" or "OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C, TDRP11_C or TDRP16_C)".

3.3.2 Creation of Contracts other than through Submission of Original Transactions or Original Northbound Transactions by Clearing Members

- (i) Pursuant to Clearing Rules 813 and 8A14, Contracts may also be created by OTC Clear registering a Contract on its system. In doing so, OTC Clear may waive any required checks for assessing whether or not the applicable Eligibility Requirements have been satisfied; or
- (ii) Pursuant to Clearing Rules 825 and 8A15, Contracts may also be created by OTC Clear registering a Contract on its system in accordance with sections 3.17 and 3.18 of these Clearing Procedures.

3.4 Product Eligibility Requirements

3.4.5 Product Eligibility requirements for Original Standard Northbound Rates Derivatives Transactions

OTC Clear will accept an Original Standard Northbound Rates Derivatives Transaction for registration only if such transaction satisfies the below requirements:

- (i) such Original Standard Northbound Rates Derivatives Transaction is of the type set out in the table as follows:

Instrument	Currency	Reference rate*	Time to Maturity*
Original Standard Northbound Rates Derivatives Transaction	CNY	SHIBOR_3M	10 years
		SHIBOR_O/N	3 years
		FR007	10 years

- (ii) no payments are due in respect of such Original Standard Northbound Rates Derivatives Transaction under the economic terms thereof within the next Northbound Clearing Day; and
- (iii) such Original Standard Northbound Rates Derivatives Transaction satisfies all the other product eligibility requirements prescribed in article 5.1 of the SHCH Clearing Guidelines and would be eligible for clearing by the Special Clearing House Participant.

3.4A Suspension of Product

In respect of all products except Original Standard Northbound Rates Derivatives Transactions, OTC Clear may from time to time, in its sole discretion and with prior consultation with the SFC, suspend clearing of a product or class of products. In respect of Original Standard Northbound Rates Derivatives Transactions, OTC Clear may suspend clearing of such products if the Participantship of the Special Clearing House Participant and/or if the Clearing Link Services is suspended as set out in Rule 21E01 (each, a **“Product Suspension Event”**).

In the event of the occurrence of a Product Suspension Event of a product, no Original Transactions or Original Northbound Transactions in such product will be accepted for registration and instead they will be rejected. In respect of all products except Original Standard Northbound Rates Derivatives Transactions, OTC Clear may also, with prior consultation with the SFC, require Clearing Members to unwind any Contracts in a product which is subject to a Product Suspension Event which were registered before the effective date of Product Suspension Event. If Clearing Members fail to do so, OTC Clear, at its sole discretion, will be entitled to terminate any such Contracts, and all prevailing obligations of OTC Clear and the relevant Clearing Member in respect

* Terms as defined in article 5.1 of the SHCH Clearing Guidelines

of such Contracts shall cease and be replaced with the obligation of OTC Clear or the relevant Clearing Member, as the case may be, to pay the close-out value determined in accordance with section 10.1(iii) of these Clearing Procedures. OTC Clear will, as soon as reasonably practicable on the Final Settlement Cycle Determination Date of such Product Suspension Event, notify the relevant Clearing Member of the close-out value determined in accordance with section 10.1(iii) of these Clearing Procedures payable by it, and the relevant Clearing Member shall pay OTC Clear such amount within one OTC Clear Business Day after the Final Settlement Cycle Determination Date. OTC Clear may, with prior consultation with the SFC, lift the suspension at any time.

Prior written notice of a Product Suspension Event or a resumption of clearing of a product previously subject to a Product Suspension Event shall be given to Clearing Members, the Special Clearing House Participant and the SFC. OTC Clear shall give notice to Clearing Members and the Special Clearing House Participant by means of a Clearing Notice.

3.6 De-registration

The de-registration process described below is only available in respect of Contracts entered into with Clearing Members. De-registration is not available to the Special Clearing House Participant.

Subsequent to the registration of an Original Transaction or an Original Northbound Transaction as two Contracts with OTC Clear, any proposed amendments to the terms of such Contracts, or termination or novation of such Contracts other than any transfer of Contracts relating to Clients in accordance with Clearing Rule 825, may only be effected by first de-registering the Contracts through submission of a de-registration request to OTC Clear.

OTC Clear will perform the de-registration process described in this section 3.6 and the “Margin Process” as described in section 4.6 of these Clearing Procedures with respect to any Contract which is the subject of a de-registration request.

3.6.2 Process of De-registration

In respect of de-registration requests which fulfil the conditions set out in section 3.6.1 (ii), the following procedures shall apply:

- (i) prior to submitting the de-registration request to OTC Clear, the Clearing Member shall identify and select the relevant Contracts for de-registration from the “OTC Clear Compression Report (Report Number COMP01 and COMP01_C)” published at approximately 20:30 hours Hong Kong time on such OTC Clear Clearing Day available to the Clearing Members on the Web Portal;
- (ii) the Clearing Member shall submit a request for de-registration to OTC Clear before 11:30 hours Hong Kong time on an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than an OTC Clear Clearing Day or (b) after 11:30 hours Hong Kong time on such OTC Clear Clearing Day will be rejected;
- (iii) Clearing Members are able to check the status of the de-registration requests through the Web Portal. The relevant information will be updated in “OTC Clear Compression Report

(Report Number COMP02 and COMP02_C)" available at the Web Portal by 14:30 hours Hong Kong time on each OTC Clear Clearing Day; and

- (iv) if such request is approved by OTC Clear, the de-registration request will be processed by OTC Clear on the same day.

If a de-registration request does not satisfy the conditions set out in section 3.6.1, or if it contains any invalid or incomplete trade data, such de-registration request will be rejected and will not go through the "Margin Process" as set out in section 4.6 of these Clearing Procedures. The result will be communicated to Clearing Members via an acceptable medium designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice but will not be made available to the Clearing Members on the Web Portal.

If a de-registration request satisfies all conditions set out in section 3.6.1 and "Margin Process" as set out in section 4.6 of these Clearing Procedures, such Contracts, or in the case of Standard Northbound Rates Derivatives Contract, the Contracts from the same Original Standard Northbound Rates Derivatives Transaction will be de-registered by OTC Clear. The result will be communicated to Clearing Members via an acceptable medium designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice but will not be made available to Clearing Members on the Web Portal. In addition, the relevant Contracts submitted for de-registration will be flagged as "DECLARED" in such "OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)" in relation to any House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)" in relation to any Client Position Account.

Save and except for the operation of section 3.8.1 and any fees due but unpaid by the relevant Clearing Member to OTC Clear (including the de-registration fee):

- (i) any Contract that has been de-registered shall have no further force or effect thereafter; and
- (ii) the rights and obligations of each of OTC Clear and the relevant Clearing Member under the Contract being de-registered shall be fully relinquished and discharged with effect from the time such Contract is de-registered.

Any de-registered transaction can be submitted for registration again, and subject to the Eligibility Requirements applicable to the relevant transaction.

Cancellation, novation or any other fees which have been agreed between the relevant Clearing Members who are counterparties to the particular Contract in connection with a de-registration request shall not be processed by OTC Clear.

3.6A Multilateral Compression

The multilateral compression service described below is only available in respect of Contracts entered into with Clearing Members which are not Standard Northbound Rates Derivatives Contracts. Multilateral compression is not available to the Special Clearing House Participant.

Each Multilateral Compression Cycle shall be implemented in accordance with the processes set out in the relevant Compression Documentation.

In addition to the circumstances set out in the Clearing Rules and the Compression Documentation, OTC Clear may, at its sole and absolute discretion, decline to implement the Unwind Proposal relating to a Multilateral Compression Cycle, if:

- (i) any participating Compression Clearing Member fails to satisfy its increased Initial Margin requirements by the time(s) set out in the relevant Compression Documentation;
- (ii) the Unwind Proposal would result in any participating Compression Clearing Member breaching its Position Limit or Notional Exchange Risk Limit; or
- (iii) OTC Clear determines that an Event of Default has occurred or is likely to occur with respect to any participating Compression Clearing Member.

If OTC Clear agrees to proceed with the implementation of an Unwind Proposal, it will settle the Compression Cash Settlement Payments due to each relevant participating Compression Clearing Member at the time set out in the relevant Compression Documentation.

Collateral received from participating Compression Clearing Members to satisfy Initial Margin requirements shall form part of the relevant Clearing Member's Margin Balance and such Clearing Members may subsequently request that OTC Clear redeliver such Collateral to the extent that it constitutes Excess Margin.

3.7 Accounts

Pursuant to Chapter 9 of the Clearing Rules, the following accounts may be opened for a Clearing Member on OTC Clear's books and records: (i) one House Position Account and one or more Client Position Accounts may be established for a Clearing Member, (ii) one House Collateral Account, one Participating Margin Collateral Account and one or more Client Collateral Accounts may be established for a Clearing Member, (iii) but only one GF Account will be established for a Clearing Member. Each Clearing Member will be individually identified in OTC Clear Rates and FX Clearing System by way of designation of a bank identifier code (BIC) for each such Clearing Member. In addition, a unique identifier will be assigned to each Clearing Member and mapped to each of the accounts.

3.8 Settlement Components

A **"Settlement Component"** consists of daily settlement components (as set out in section 3.8.1) and fees and interest (as set out in section 3.8.2).

Pursuant to Clearing Rule 226, the calculations made by OTC Clear shall be conclusive and binding on all Clearing Members. If a Clearing Member notifies OTC Clear of any alleged error in any calculations performed by OTC Clear pursuant to Clearing Rule 226, such Clearing Member is still obligated to settle the full amounts as stated in the "OTC Clear Settlement Reports" and "OTC Clear Settlement Reports for Client" (if applicable) on the payment due date pending investigation, resolution or (if applicable) rectification of the alleged error by OTC Clear.

For the avoidance of doubt, OTC Clear will only be responsible for settlement of any Settlement Component of a Contract if the Payment Date of such Settlement Component is in compliance with the terms set out in sections 3.4.2.12, 3.4.4.4 and fulfil the requirements specified in section 3.4.5.

The terms and provisions included in an ISDA Credit Support Annex published by ISDA will not form part of the Contract Terms of a Contract. As such, the Independent Amount (as defined in paragraph 10 of the ISDA Credit Support Annex (Bilateral Form-Transfer) published by ISDA) is not, and does

not form part of the Settlement Component. OTC Clear is not responsible for, and will not be processing any transfer of Independent Amount and Clearing Member shall be responsible to put in place any relevant Collateral management procedures for processing any Independent Amount.

3.8.1 Daily Settlement Components

OTC Clear will determine the daily settlement components on each OTC Clear Clearing Day. Daily settlement components consist of (i) coupon payment for a Standard Rates Derivatives Contract, Standard Northbound Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract, (ii) settlement amount for a Non Deliverable FX Derivatives Contract, (iii) Additional Payment, (iv) Additional Amount, (v) Initial Margin, (vi) Additional Margin, (vii) Variation Margin, (viii) Rates and FX Contribution, (ix) Initial Exchange Amount and Final Exchange Amount for a Standard Cross-currency Rates Derivatives Contract, (x) Notional Amounts for a Deliverable FX Forward Contract, Deliverable FX Swap Contract, (xi) Compression Cash Settlement Payments, (xii) Participating Margin and any other components which may be specified by OTC Clear from time to time.

Market data (such as non-business days for different financial centers, any interest rate, exchange rate or price) which are applied to determine the daily settlement components will be published in the “OTC Clear Market Data Reports (Report Number MKDR01, MKDR02, MKDR03 and MKDR10)”. The amount of daily settlement components to be settled by a Clearing Member will be published in the “OTC Clear Settlement Report (Report Number STRP01)” in respect of any payment relevant to a House Account or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” in respect of any payment relevant to a Client Account. Such reports are available to the Clearing Members on the Web Portal. The daily settlement components published in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01_C)” shall be final and conclusive, and shall be settled on the relevant “Value Date” as stipulated in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01_C)” in accordance with section 3.12. Any de-registration request that is accepted by OTC Clear after the publication of the “OTC Clear Settlement Report (Report Number STRP01)” or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” for any relevant “Value Date” shall not have any effect on the payment obligation of a Clearing Member to settle the daily settlement components set out in the relevant “OTC Clear Settlement Report (Report Number STRP01)” or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” for such “Value Date”.

3.8.1.1A Coupon Payment for a Standard Northbound Rates Derivatives Contract

The Coupon Payment for a Standard Northbound Rates Derivatives Contract shall either be one payment calculated from the beginning day to the termination day, or calculated one coupon payment per quarter.

If the payment date or period end date of a Standard Northbound Rates Derivatives Contract is specified to be the 31st of a calendar month, the relevant payment date or period end date shall be deemed to fall on the last calendar day of the relevant calendar month, and be subject to adjustment in accordance with the business day convention specified in the contract terms relating to such Standard Northbound Rates Derivatives Contract.

3.8.1.1.1 Calculation of the Fixed Amount

Calculation of the Fixed Amount is based on the methodologies stipulated in Sections 5.2, 5.3 and 5.4 of the ISDA Definitions and the Economic Terms specified in the relevant Contract except for Standard Northbound Rates Derivatives Contracts.

In respect of a Standard Northbound Rates Derivatives Contract, calculation of the fixed interest amount shall be based on the Economic Terms specified in the relevant Contract and calculated in accordance with the formula stated in articles 5.5.2.1(1) of the SHCH Clearing Guidelines.

For the avoidance of doubt, irrespective of the Registration Time of a Contract, the Calculation Period of a Fixed Amount of such Contract is the period from and including the immediately preceding Period End Date (or the Effective Date if such Calculation Period is the initial Calculation Period of that particular Contract) to but excluding the Period End Date of the relevant Calculation Period (or the Termination Date if such Calculation Period is the final Calculation Period of that particular Contract). Same calculation logic applies to Standard Northbound Rates Derivatives Contracts.

3.8.1.1.2 Calculation of the Floating Amount

- (i) In respect of a Standard Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Rates Derivatives Contract;
- (ii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in CNY, calculation of the Floating Amount is based on the methodologies stipulated in Section 4.9.5 of the ISDA Definitions and the Economic Terms specified in the relevant Non Deliverable Rates Derivatives Contract and the Compounding Date is deemed to be each relevant CNY 7-Repo Compounding Date in accordance with Section 4.9.3 of the ISDA Definitions;
- (iii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in INR, KRW, MYR, THB or TWD, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Non Deliverable Rates Derivatives Contract;
- (iv) in respect of a Standard Cross-currency Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Cross-currency Rates Derivatives Contract; and
- (v) in respect of a Standard Northbound Rates Derivatives Contract, calculation of the floating interest amount is based on the economic terms specified in the relevant Standard Northbound Rates Derivatives Contract and the methodologies stipulated as follows:
 - (a) If the method of interest accrual is simple interest, the interest amount of each calculation period is equal to the sum of the interest amount for each fixing period. For the avoidance of doubt, please refer to article 5.5.2.1(2)1) of the SHCH Clearing Guidelines for the detailed formula.

- (b) If the method of interest accrual is compound interest, the interest amount of each calculation period is equal to the sum of the interest amount for each fixing period. For the avoidance of doubt, please refer to article 5.2.2.1(2)2) of the SHCH Clearing Guidelines for the detailed formula.

For the avoidance of doubt, irrespective of the Registration Time of a Contract, the Calculation Period of a Floating Amount of such Contract is the period from and including the immediately preceding Period End Date (or the Effective Date if such Calculation Period is the initial Calculation Period of that particular Contract) to but excluding the Period End Date of the relevant Calculation Period (or the Termination Date if such Calculation Period is the final Calculation Period of that particular Contract). Same calculation logic applies to Standard Northbound Rates Derivatives Contracts.

A Clearing Member should note the provisions set out in Clearing Rules 2222, 2319 and 2518 in relation to the applicability of the "Floating Negative Interest Rate Method" to a Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract, as applicable.

3.8.1.1.3 Determination of the Rate for a Reset Date

- (i) In respect of a Standard Rates Derivatives Contract which is denominated in CNY (offshore) or USD, Standard Cross-currency Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract which is denominated in MYR or TWD, the rate for a Reset Date, including the source and the time at which such source is obtained from the relevant provider, is determined by reference to the Floating Rate Matrix except that if a different Fixing Days Offset is elected by the Clearing Members for the initial Calculation Period in respect of a Floating Amount Payer than that prescribed in the Floating Rate Matrix it shall be amended to make reference to the Fixing Days Offset elected by the Clearing Members;
- (ii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in CNY, the rate for a Reset Date, including the source and the time at which such source is obtained from the relevant provider, is determined by reference to the Floating Rate Matrix except that if a different Fixing Days Offset is elected by the Clearing Members for the initial Compounding Period in respect of a Floating Amount Payer than that prescribed in the Floating Rate Matrix it shall be amended to make reference to the Fixing Days Offset elected by the Clearing Members;
- (iii) in respect of a Standard Rates Derivatives Contract which is denominated in EUR or HK\$ and a Non Deliverable Rates Derivatives Contract which is denominated in INR, KRW or THB, the rate for a Reset Date, including the source and the time at which such source is obtained from the relevant provider, is determined by reference to the Floating Rate Matrix; or
- (iv) in respect of a Standard Northbound Rates Derivatives Contract, the rate for a fixing date, shall be refer to follows:

Reference rate	Reference rate value:	Fixing Time:
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SHIBOR_O/N	The Shanghai Interbank Offered Rate that People's Bank of China authorized the National Interbank Funding Center to release on http://www.shibor.org/	11:00 UTC+8
FR007	The 7-day Interbank Repo Fixing Rate that People's Bank of China authorized the National Interbank Funding Center to release on http://www.chinamoney.com.cn	11:30 UTC+8
SHIBOR_3M	The Shanghai Interbank Offered Rate that People's Bank of China authorized the National Interbank Funding Center to release on http://www.shibor.org/	11:00 UTC+8

For the avoidance of doubt, (a) if Linear Interpolation is elected to be applicable to a Calculation Period, the relevant rate for the Reset Date in respect of that Calculation Period will be calculated by OTC Clear in accordance with Section 6.10 of the ISDA Definitions; and (b) if the Floating Rate has been designated by the Clearing Members for the initial Calculation Period or initial Compounding Period, as the case may be, in respect of a Floating Amount Payer of a Contract, such Floating Rate is deemed to be the rate for the Reset Date for the initial Calculation Period or initial Compounding Period, as the case may be, in respect of the relevant Floating Amount Payer of such Contract.

3.8.1.1.4 Adjustment to the Initial Exchange Date, the Final Exchange Date, the Payment Date and the Period End Date

OTC Clear uses Copp Clark as the data provider for information on holiday observances affecting world financial markets. OTC Clear will provide Clearing Members with regular updates of holidays affecting Currency Days and Business Days through the "OTC Clear Market Data Report (Report Number MKDR03)". Any ad-hoc update of such holidays will be notified to the Clearing Members.

- (i) In respect of a Standard Rates Derivatives Contract, a Standard Northbound Rates Derivatives Contract or a Non Deliverable Rates Derivatives Contract:

If a holiday declaration affects a scheduled Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, an adjustment to the Payment Date and/or the amount of the settlement (if applicable) shall be made in accordance with the Contract Terms, provided that, in the event of a holiday declaration in respect of a particular day which would otherwise have been a Currency Day or a Business Day after 19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day or Business Day on which a Payment Date and/or Period End Date is scheduled to fall, no adjustment shall be made to such Payment Date and/or Period End Date of any Contract unless such declaration or curtailment affects the financial center or the foreign exchange market of the Contractual Currency of that Contract.

(ii) In respect of a Standard Cross-currency Rates Derivatives Contract:

If a holiday declaration affects a scheduled Initial Exchange Date (if applicable), a Final Exchange Date (if applicable), a Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, an adjustment to the Initial Exchange Date (if applicable), the Final Exchange Date (if applicable), the Payment Date and/or the amount of the settlement (if applicable) shall be made in accordance with the Contract Terms, provided that, in the event of a holiday declaration in respect of a particular day which would otherwise have been a Currency Day or a Business Day after 19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day or Business Day on which an Initial Exchange Date (if applicable), a Final Exchange Date (if applicable), a Payment Date and/or Period End Date (if applicable) is scheduled to fall, no adjustment shall be made to such Initial Exchange Date, Final Exchange Date, Payment Date and/or Period End Date of any Contract unless such declaration or curtailment affects the financial center or the foreign exchange market of any one of the Contractual Currencies of that Contract.

Any update to the Payment Date and/or amount of the settlement of a forthcoming payment is reflected in the "OTC Clear Settlement Report (Report Number STRP04, STRP06 or STRP09)" in respect of any payment relevant to a House Position Account or "OTC Clear Settlement Report for Client (Report Number STRP04_C, STRP06_C or STRP09_C)" in respect of any payment relevant to a Client Position Account. Both "OTC Clear Settlement Report (Report Number STRP04, STRP06 or STRP09)" and "OTC Clear Settlement Report for Client (Report Number STRP04_C, STRP06_C or STRP09_C)" will be made available to the Clearing Members on the Web Portal.

OTC Clear has no involvement in Copp Clark's business and therefore does not guarantee and is not responsible for the accuracy of any data provided by Copp Clark.

3.9 Procedures for Voluntary Deposit of Cash Collateral, porting of Cash Collateral representing Excess Margin and Withdrawal of Cash Collateral representing Excess Margin, Excess Participating Margin and Rates and FX Contribution Excess

This section 3.9 sets out the arrangement for any voluntary withdrawal, porting or deposit of cash Collateral by a Clearing Member. The arrangement for satisfying a Margin demand by a Clearing Member is governed by Chapter 4 and, in particular, section 4.7 of these Clearing Procedures. In respect of any cash settlement as a result of voluntary withdrawal or deposit of cash Collateral for satisfaction of Margin requirements or Rates and FX Liability, such cash settlement must be made via RTGS system as further described in section 3.11.1.

3.9.1 Procedure for Voluntary Withdrawal of Cash Collateral representing Excess Margin, Excess Participating Margin and Rates and FX Contribution Excess

The following procedures apply to voluntary withdrawal of cash Collateral by a Clearing Member in respect of its Excess Margin, Excess Participating Margin and Rates and FX Contribution Excess:

- (i) prior to requesting withdrawal of any cash Collateral then deposited with OTC Clear, the Clearing Member should check and ensure there is a positive cash balance (after taking into account any Collateral Concentration Limit(s) set out in section 7.4 of these Clearing Procedures) standing to the credit of its relevant House Collateral Account, Participating

Margin Collateral Account or Client Collateral Account, as the case may be, representing Excess Margin and/or Excess Participating Margin, as applicable;

- (ii) prior to requesting withdrawal of any cash Collateral then deposited with OTC Clear for the purpose of satisfying its Rates and FX Liability, the Clearing Member should check and ensure there is a positive cash balance standing to the credit of its GF Account representing Rates and FX Contribution Excess;
- (iii) the Clearing Member shall input a request for withdrawal via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a "**Withdrawal Notice**") via the collateral management window of the Web Portal that it wishes to withdraw any part of such Excess Margin under this section 3.9.1(iii).

Any request which is submitted on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day or after 12:00 hours Hong Kong time on such day will be rejected;

- (iv) if such withdrawal is approved by OTC Clear:
 - (a) the amount of withdrawal will be deducted from the cash balance of the House Collateral Account, Participating Margin Collateral Account, Client Collateral Account or the GF Account, as the case may be, relating to the Clearing Member once such request is processed by OTC Clear; and
 - (b) OTC Clear will make the payment for value on the same day by the cash settlement method described in section 3.11.1.

For the avoidance of doubt, any request for withdrawal of cash Collateral which is designated with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear.

Clearing Members are able to monitor the progress of their withdrawal requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 19:00 hours Hong Kong time on each OTC Clear Business Day.

3.9.2 Procedure for Voluntary Deposit of Cash Collateral

The following procedures apply to voluntary deposit of cash Collateral by a Clearing Member in respect of its Margin requirements and its Rates and FX Liability:

- (i) the Clearing Member shall input a request for deposit via the collateral management window of the Web Portal before 17:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day or (b) after 17:00 hours Hong Kong time on such day will be rejected, except on a Northbound Clearing Day, OTC Clear will accept

requests for deposit of CNY (offshore) input before 17:00 hours Hong Kong time on such day;

- (ii) the amount of deposit will be settled by the cash settlement method described in section 3.11.1;
- (iii) the Clearing Member should ensure that the amount of deposit can be credited to OTC Clear by 17:15 hours Hong Kong time on the day such request is submitted. Otherwise such request will be deemed to be rejected by OTC Clear; and
- (iv) upon receipt of confirmation by OTC Clear from its settlement bank that the amount of deposit has been credited to OTC Clear, it will be reflected in the cash balance of the House Collateral Account, Participating Margin Collateral Account, Client Collateral Account or the GF Account, as the case may be, relating to the Clearing Member.

For the avoidance of doubt, any request for deposit of cash Collateral which is designated with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear.

Clearing Members are able to monitor the progress of their deposit requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 19:00 hours Hong Kong time on each OTC Clear Clearing Day.

3.9.3 Procedure for porting of Cash Collateral representing Excess Margin and Excess Participating Margin

The following procedures apply to (a) porting of cash Collateral by a Clearing Member representing Excess Margin in its House Collateral Account to its Participating Margin Collateral Account or any of its Client Collateral Accounts and (b) porting of cash Collateral by a Clearing Member representing Excess Participating Margin in its Participating Margin Collateral Account to its House Collateral Account or any of its Client Collateral Accounts:

- (i) prior to requesting porting, a Clearing Member should check and ensure that there is a positive cash balance (after taking into account any Collateral Concentration Limit(s) set out in section 7.4 of these Clearing Procedures) standing to the credit of its House Collateral Account representing Excess Margin or Participating Margin Collateral Account representing Excess Participating Margin;
- (ii) a Clearing Member with cash Collateral representing Excess Margin in its House Collateral Account may input a request for porting of such Excess Margin, to its Participating Margin Collateral Account and any of its Client Collateral Accounts via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on a day that is both a Currency Day for the currency of the relevant cash Collateral and an OTC Clear Business Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a **"Porting Notice"**) via the collateral management window of the Web Portal that it wishes to port any part of such Excess Margin under this section 3.9.3(ii).

- (iii) a Clearing Member with cash Collateral representing Excess Participating Margin in its Participating Margin Collateral Account may input a request for porting of such Excess Participating Margin, to its House Collateral Account and any of its Client Collateral Accounts via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on a day that is both a Currency Day for the currency of the relevant cash Collateral and an OTC Clear Business Day.

Any request which is submitted after 12:00 hours Hong Kong time will be rejected and must be re-submitted on the next day that is both a Currency Day for the currency of the relevant cash Collateral and an OTC Clear Business Day. For the avoidance of doubt, any request for porting of cash Collateral with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear;

- (iv) if such porting is approved by OTC Clear, the amount to be ported will be deducted from the cash balance of the relevant Clearing Member's House Collateral Account and/or Participating Margin Collateral Account, as the case may be, once such request has been processed by OTC Clear;
- (v) OTC Clear will endeavour to effect the porting for value on the same day; and
- (vi) upon receipt of confirmation by OTC Clear from its settlement bank that the transfer has been completed, OTC Clear will reflect the cash increase in the balance of the House Collateral Account, Participating Margin Collateral Account and relevant Client Collateral Account of the relevant Clearing Member, as applicable.

Porting of cash Collateral: (a) from the GF Account to the House Collateral Account, Participating Margin Collateral Account or any Client Collateral Account, (b) from any Client Collateral Account to the House Collateral Account, Participating Margin Collateral Account or the GF Account, (c) from the House Collateral Account or Participating Margin Collateral Account to the GF Account or (d) amongst Client Collateral Accounts is not allowed.

Cash Collateral ported on a particular OTC Clear Clearing Day will not be available in time to satisfy Margin calls made on that OTC Clear Clearing Day.

Clearing Members are able to monitor the progress of their transfer requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 19:00 hours Hong Kong time on each OTC Clear Business Day.

3.10 Types of Securities Acceptable as Non-cash Collateral and Procedures for Voluntary Deposit of Non-Cash Collateral, porting of Non-Cash Collateral representing Excess Margin and Withdrawal of Non-Cash Collateral representing Excess Margin

OTC Clear only accepts non-cash Collateral delivered to it at its account at the relevant Custodian specified for the relevant type of eligible non-cash Collateral. Non-cash Collateral deposited for the purpose of satisfying Margin requirements in respect of a particular Position Account will not form part of the Margin Balance recorded to the corresponding Collateral Account until such non-cash Collateral is received by OTC Clear at its account at such relevant Custodian. OTC Clear publishes the Custodian and its standard delivery instruction for each type of eligible non-cash Collateral on the HKEX website and updates it from time to time. For the avoidance of doubt, OTC Clear does

not accept non-cash Collateral for the purpose of satisfying a Clearing Member's Participating Margin requirements.

Delivery of non-cash Collateral to OTC Clear must be executed free of payment.

Clearing Members are each required to open 2 accounts with their respective custodian(s) for the relevant type of eligible non-cash Collateral – one account for settlement of non-cash Collateral relating to House Business and the other account for settlement of non-cash Collateral relating to Contracts recorded in the Client Position Account of a Clearing Member ("**Client Business**"). Clearing Members must specify only one standard delivery instruction for House Business and only one standard delivery instruction for Client Business.

The relevant Custodian matches the details submitted by each Clearing Member via the Web Portal before accepting delivery of the relevant non-cash Collateral to OTC Clear's account with it. In the event of a discrepancy, delivery will fail. Each Clearing Member must also indicate in the relevant payment message that the settlement mode is real time.

In respect of each request for withdrawal of non-cash Collateral which has been accepted by OTC Clear, OTC Clear will instruct the relevant Custodian to deliver the relevant non-cash Collateral to each Clearing Member in accordance with the standard delivery instructions provided by such Clearing Member.

If a Clearing Member wishes to change its standard delivery instruction in respect of settlement in relation to its House Collateral Account and/or its Client Collateral Accounts (if applicable), it must provide at least 10 OTC Clear Business Days' advance notice to OTC Clear pursuant to section 2.6 of these Clearing Procedures prior to effecting such change.

OTC Clear will not be liable for any failure, hindrance or delay in the performance (in whole or in part) of any of its obligations to Clearing Members relating to the deposit, withdrawal or porting of non-cash Collateral where such failure, hindrance or delay arises from causes beyond the control of OTC Clear, such as, but not limited to, the failure (whether partial or total), interruption or suspension of any depository, Custodian or other depository service that OTC Clear uses, the termination or suspension of OTC Clear's membership or use of a Custodian or any variation of a Custodian's operational timetable, whether or not occasioned by the action of the Custodian or other party, or any embargo, unavailability or restriction of bank transfer systems or wires, malfunction or overload of the depository or any other emergency.

3.10.3 Procedures for Voluntary Deposit of Non-Cash Collateral

The following procedures apply to voluntary deposit of non-cash Collateral by a Clearing Member to satisfy the Margin requirements except Participating Margin requirements relating to its House Position Account and Client Position Account(s):

- (i) prior to requesting deposit of any security as non-cash Collateral, the Clearing Member should ensure that any Collateral Concentration Limits imposed on it would not be exceeded upon the acceptance of such security as Collateral;
- (ii) if the ISIN code of such security stipulated in section 3.10.1 is not currently listed in the collateral management window of the Web Portal, prior to submitting a deposit request via the collateral management window of the Web Portal, the Clearing Member must give OTC Clear nine OTC Clear Business Days advance notice of the security that it wishes to deposit,

providing OTC Clear with the ISIN code of the relevant security, subsequent to such notice, OTC Clear will list the ISIN code of such security in the collateral management window of the Web Portal;

- (iii) the Clearing Member shall input a deposit request via the collateral management window of the Web Portal before 17:00 hours Hong Kong time on an OTC Clear Clearing Day. Such deposit request must specify: (a) the ISIN code of each relevant security that it is seeking to deposit as Collateral, (b) the notional amount of each such security that it is seeking to deposit as Collateral and (c) the value date for settlement;
- (iv) in addition, each deposit request must comply with the following parameters:

Type of security to be deposited as non-cash Collateral	Value Date for Settlement to be specified in each deposit request	Minimum deposit amount
US Treasury Bills	one New York Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes	Where, " New York Business Day " means a day (other than Saturday and Sunday) on which commercial banks in New York City are open for general business.	USD100 and integral multiples of USD100 in excess thereof
Hong Kong Exchange Fund Bills	one Hong Kong Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	HKD500,000 and integral multiples of HKD500,000 in excess thereof
Hong Kong Exchange Fund Notes	Where, " Hong Kong Business Day " means a day (other than Saturday and Sunday) on which commercial banks in Hong Kong are open for general business.	HKD50,000 and integral multiples of HKD50,000 in excess thereof
Bonds issued by the Ministry of Finance of the People's Republic of China denominated in CNY(offshore)	one day (which is both a Hong Kong Business Day and a Beijing Business Day) following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	CNY (offshore) 500,000 and integral multiples of CNY (offshore) 500,000 in excess thereof

Type of security to be deposited as non-cash Collateral	Value Date for Settlement to be specified in each deposit request	Minimum deposit amount
	Where, " Beijing Business Day " means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.	

- (v) a deposit request which seeks to request the deposit of a security whose ISIN code is not currently listed as eligible Collateral in the collateral management window of the Web Portal will be rejected;
- (vi) a deposit request which if processed would result in the Clearing Member breaching a Concentration Limit imposed on it will be rejected;
- (vii) a deposit request which does not comply with the above parameters or which is submitted after 17:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected and must be re-submitted on the next OTC Clear Clearing Day with the necessary amendments;
- (viii) if such deposit request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal; and
- (ix) upon confirmation from CMU that the relevant securities have been received in OTC Clear's relevant account(s), OTC Clear will update the Margin Balance of the Clearing Member's House Collateral Account or Client Collateral Account(s), as the case may be, provided that, if CMU notifies OTC Clear that the relevant securities have been received in OTC Clear's relevant account(s) after 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will only update the Margin Balance of the Clearing Member's House Collateral Account or Client Collateral Account(s), as the case may be, at 12:00 hours Hong Kong time on the next OTC Clear Clearing Day. For the avoidance of doubt, the Clearing Member will continue to be responsible for complying with any Margin calls until the Margin Balance of the relevant Collateral Account has been updated, regardless of the value date on which such securities are delivered.

3.11 Cash Settlement Method

- (i) In respect of a particular payment date, payments in respect of Initial Margin, Additional Margin and Participating Margin will be settled separately from and will not be netted with any other payments.
- (ii) In respect of a particular payment date, payments in respect of Rates and FX Contribution will be settled separately from and will not be netted with any other payments.
- (iii) In respect of a particular payment date, settlements of coupon payments of a Standard Rates Derivatives Contract, a Standard Cross-currency Rates Derivatives Contract, a Non Deliverable Rates Derivatives Contract and a Standard Northbound Rates Derivatives Contract, settlement amounts due in respect of an FX Derivatives Contract, except Notional Amounts of any Deliverable FX Derivatives Contract in the same Currency Pair (swap and FX), Additional Payments and Variation Margin in the same currency:
 - (a) in respect of a Clearing Member's House Business will be netted together;

- (b) in respect of a Clearing Member's Client Business, except in relation to any SSM Payment Amounts referred to in sub-paragraph (c) below (where applicable), will be netted together (for the avoidance of doubt, payments of such amounts in respect of Client Business will not be netted with amounts due in respect of House Business); and
 - (c) in respect of a Clearing Member's Client Business and in relation to SSM Payment Amounts pertaining to the Position Account of a particular Sponsored Settlement Member (if applicable), will be netted together (for the avoidance of doubt, payments of such amounts will not be netted across different Sponsored Settlement Members).
- (iv) In respect of a particular payment date, settlements of Additional Amount, fees due to OTC Clear, interest payable by OTC Clear in respect of cash Collateral and any other components in the same currency:
 - (a) in respect of a Clearing Member's House Business will be netted together;
 - (b) in respect of a Clearing Member's Client Business will be netted together (for the avoidance of doubt, payments of such amounts in respect of Client Business will not be netted with amounts due in respect of House Business).
- (v) In respect of a particular payment date, settlements of Initial Exchange Amount and/or Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract in the same Currency Pair (swap and FX):
 - (a) in respect of a Clearing Member's House Business will be netted together;
 - (b) in respect of a Clearing Member's Client Business, except in relation to any SSM Payment Amounts referred to in sub-paragraph (c) below (where applicable), will be netted together (for the avoidance of doubt, payments of such amounts in respect of Client Business will not be netted with amounts due in respect of House Business); and
 - (c) in respect of a Clearing Member's Client Business and in relation to SSM Payment Amounts pertaining to the Position Account of a particular Sponsored Settlement Member (if applicable), will be netted together (for the avoidance of doubt, payments of such amounts will not be netted across different Sponsored Settlement Members).

Clearing Members are required to maintain different settlement accounts for payments in respect of House Business and Client Business.

All cash settlements must be made in accordance with section 3.11.

In relation to its House Business, each Clearing Member is allowed to elect only one settlement account for each Contractual Currency in respect of each of the payment categories specified in sections 3.11(i) to (v) above.

In relation to its Client Business, other than in respect of any SSM Payment Amounts (where applicable), each Clearing Member is allowed to elect only one settlement account for each

Contractual Currency in respect of each of the payment categories specified in sections 3.11(i) to (v) above.

In relation to its Client Business, solely in respect of any SSM Payment Amounts pertaining to a particular Sponsored Settlement Member (where applicable), the relevant Sponsored Settlement Member is allowed to elect only one settlement account for each Contractual Currency in respect of each of the payment categories specified in sections 3.11(iii) and (v) above.

For the avoidance of doubt, with regard to each Contractual Currency, the settlement account which is elected by the Clearing Member in relation to its House Business must be different from the settlement account which is elected by such Clearing Member in relation to its Client Business.

If there is any change to the standard settlement instruction used by OTC Clear, such change will be notified to the Clearing Members and their Sponsored Settlement Members (where applicable). If a Clearing Member wishes to change its standard settlement instruction in respect of cash payments relevant to its House Position Account and House Collateral Account and/or its Client Position Accounts and Client Collateral Accounts (if applicable) and/or Participating Margin Collateral Account, it must provide at least 10 OTC Clear Business Days' advance notice to OTC Clear pursuant to section 2.6 of these Clearing Procedures prior to effecting such change. If a Sponsored Settlement Member wishes to change its standard settlement instruction in respect of cash payments relevant to its Client Position Account and Client Collateral Account, its relevant sponsoring Clearing Member must provide at least 10 OTC Clear Business Days' advance notice to OTC Clear pursuant to section 2.6 of these Clearing Procedures prior to effecting such change.

3.12 Cash Settlement Time

- (i) Save and except the Initial Exchange Amount and the Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and the Notional Amounts of any Deliverable FX Derivatives Contract, any cash settlement to be payable by a Clearing Member or by a Sponsored Settlement Member (where applicable) on a particular payment date must be settled by the Clearing Member or by the Sponsored Settlement Member (where applicable):
 - (a) no later than 11:00 hours Hong Kong time on the relevant payment due date if the "OTC Clear Settlement Report (Report Number STRP01)" and/or "OTC Clear Settlement Report for Client (Report Number STRP01_C)" (if applicable) relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day; or
 - (b) in all other cases, within two hours following the "OTC Clear Settlement Report (Report Number STRP01)" and/or "OTC Clear Settlement Report for Client (Report Number STRP01_C)" (if applicable) relating to that particular payment date is published or information equivalent to that which would be set out in such reports is communicated to Clearing Member by OTC Clear, subject to the availability of RTGS services.
- (ii) In respect of the Initial Exchange Amount and the Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract:
 - (a) the Clearing Member or the Sponsored Settlement Member (where applicable) must be operationally ready to settle the relevant cash settlement on a particular payment

date by reserving sufficient funding for the relevant cash settlement no later than the Notional Exchange USD/HKD Settlement Ready Time for the Currency Pair (swap and FX) of USD and HKD and the Notional Exchange USD/CNY (offshore) Settlement Ready Time for the Currency Pair (swap and FX) of USD and CNY (offshore), on the relevant payment due date regardless of whether the “OTC Clear Settlement Report (Report Number STRP01)” and/or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” (if applicable) relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day or not;

- (b) the cash settlement process for the Initial Exchange Amount and the Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract must be completed by both the Clearing Member or the Sponsored Settlement Member (where applicable) and OTC Clear no later than: (A) the Notional Exchange USD/HKD Settlement Cutoff Time for the Currency Pair (swap and FX) of USD and HKD and the Notional Exchange USD/CNY (offshore) Settlement Cutoff Time for the Currency Pair (swap and FX) of USD and CNY (offshore) or (B) if OTC Clear determines to continue to settle any amount pursuant to section 3.19(ii)(a) of these Clearing Procedures by means of other methods as determined by OTC Clear, then in respect of such amount only, 16:00 hours Hong Kong time, in each case on the relevant payment due date regardless of whether the “OTC Clear Settlement Report (Report Number STRP01)” and/or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” (if applicable) relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day or not but provided that if such reports are not published information equivalent to that which would be set out in such reports is communicated to Clearing Member and/or the Sponsored Settlement Member (where applicable) by OTC Clear no later than the Notional Exchange USD/HKD Settlement Ready Time for the Currency Pair (swap and FX) of USD and HKD, and the Notional Exchange USD/CNY (offshore) Settlement Ready Time for the Currency Pair (swap and FX) of USD and CNY (offshore); and
 - (c) If a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced, the special arrangements as set out in section 9.6 of these Clearing Procedures will apply and the operation of the procedures set out in this section 3.12(ii) shall be construed accordingly.
- (iii) Save and except the Initial Exchange Amount and the Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract and the interest amount (coupon) received from OTC Clear’s Custodian in respect of the relevant non-cash Collateral and payable to the relevant Clearing Member, any cash settlement to be payable by OTC Clear on a particular payment date must be settled by OTC Clear:
- (a) except for CNH, no later than 14:30 hours Hong Kong time on the relevant payment due date if the “OTC Clear Settlement Report (Report Number STRP01)” and/or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” (if applicable) relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day or information equivalent to that which would

be set out in the reports is available to OTC Clear no later than 12:00 hours Hong Kong time; and

- (b) For CNH, no later than 17:00 hours Hong Kong time on the relevant payment due date if the “OTC Clear Settlement Report (Report Number STRP01)” and/or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” (if applicable) relating to that particular payment date is published at or prior to 08:30 hours Hong Kong time on such day or information equivalent to that which would be set out in the reports is available to OTC Clear no later than 12:00 hours Hong Kong time; or
- (c) in all other cases within two hours following the “OTC Clear Settlement Report (Report Number STRP01)” and/or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” (if applicable) relating to that particular payment date is published, or information equivalent to that which would be set out in such reports is available to OTC Clear, subject to the availability of RTGS services.

Any Margin requirements must be satisfied in accordance with the timing set out in section 4.7.2 of these Clearing Procedures; and a Clearing Member's request for voluntary withdrawal, porting or deposit of cash Collateral will be governed by section 3.9.

For the avoidance of doubt, OTC Clear will pay the interest amount (coupon) in respect of the relevant non-cash Collateral to the Clearing Member on the appropriate value date only after OTC Clear has been credited with such interest amount (coupon) by its Custodian.

“Notional Exchange USD/HKD Settlement Ready Time” means 11:40 hours Hong Kong time, provided that, where section 3.12(ii)(c) applies, it has the meaning given to it in section 9.6.

“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means 12:00 hours Hong Kong time, provided that, where section 3.12(ii)(c) applies, it has the meaning given to it in section 9.6.

“Notional Exchange Settlement Cutoff Time” means the Notional Exchange USD/HKD Settlement Cutoff Time or Notional Exchange USD/CNY (offshore) Settlement Cutoff Time.

“Notional Exchange USD/HKD Settlement Cutoff Time” means, for the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:

- (a) subject to sub-sections (b) and (c) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process;
- (b) subject to sub-section (c) below, where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process; or
- (c) where section 3.12(ii)(c) applies, the meaning given to it in section 9.6.

“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, for a Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore):

- (a) subject to sub-sections (b) and (c) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process;

- (b) subject to sub-section (c) below, where OTC Clear requires any Transaction File Replacement in relation to such Bulk Settlement Run process, the time which is 60 minutes after the Commencement Time of such Bulk Settlement Run process; or
- (c) where section 3.12(ii)(c) applies, the meaning given to it in section 9.6.

“Transaction File Replacement” means, in relation to any Bulk Settlement Run process in any Currency Pair (swap and FX) on a particular payment date, where OTC Clear has already submitted a transaction file to HKICL, OTC Clear requires to replace such transaction file with an amended transaction file containing an amended list of transactions to be settled through the Bulk Settlement Run process in such Currency Pair (swap and FX) on such date.

Chapter 4

Margin and Valuation

4.1 Margin Requirement

A Clearing Member must at all times satisfy its Margin requirements calculated by OTC Clear in respect of all Contracts registered in its name. Except for Participating Margin, the Margin requirements in respect of Contracts recorded to a Clearing Member's House Position Account may be netted against each other, and the Margin requirement in respect of Contracts recorded to a Clearing Member's Client Position Account may be netted against each other, but not against Contracts recorded to such Clearing Member's House Position Account or other Client Position Account(s). With respect to a Clearing Member, Participating Margin is calculated in respect of the Inter-CCP Rates Derivatives Contracts with equal but opposite terms to (and which have been created to correspond to) the Standard Northbound Rates Derivatives Contracts recorded in all Position Accounts of that Clearing Member.

The types of Margin that may be demanded by OTC Clear in respect of each Clearing Member are summarised below:

- (i) Initial Margin (see section 4.2) – which in most circumstances is calculated during the End-of-Day Settlement Process in respect of each Position Account. Initial Margin will be calculated and presented in the Base Currency, and a Clearing Member may satisfy its Initial Margin requirements either in cash in any Eligible Currency or, subject to any Collateral Concentration Limit imposed by OTC Clear, any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures. OTC Clear may, at any time during an OTC Clear Clearing Day and a Northbound Clearing Day, demand ad hoc intra-day Initial Margin from each Clearing Member if it determines that the then market conditions warrant this. Ad hoc intra-day Initial Margin requirement will apply to each Clearing Member with respect to each Position Account then registered in its name (including both its House Position Account and Client Position Account(s), if any). With respect to each such Position Account, ad hoc intra-day Initial Margin will be determined and presented in the Base Currency, and the Clearing Member may satisfy such demand either in cash in any Eligible Currency or any non-cash assets specified in section 7.3 of these Clearing Procedures;
- (ii) Variation Margin
 - (a) End-of-day Variation Margin (see section 4.3) – which is calculated during the End-of-Day Settlement Process in respect of each Contract. End-of-day Variation Margin will be calculated and presented in the Contractual Currency of the Contract, and a Clearing Member shall satisfy the end-of-day Variation Margin requirements in cash in the relevant Contractual Currency;
 - (b) Routine Intra-day VM Call (see section 4.4.2) – which may be made by OTC Clear at the Routine VM Call Time during an OTC Clear Business Day. At regular intervals during an OTC Clear Clearing Day and a Northbound Clearing Day, OTC Clear will determine the aggregate Initial Margin and Additional Margin requirements in respect of all the Contracts then recorded to a Clearing Member's House Position Account, taking into consideration any Variation Margin requirements reflecting intra-day market movements, and compare

the same with the then Margin Balance relating to such Clearing Member's House Position Account. If the Initial Margin and Additional Margin requirements relating to a Clearing Member's House Position Account, taking into consideration any intra-day market movements, exceed the then Margin Balance relating to such Clearing Member's House Position Account by an amount equal to or greater than the Intra-day VM Limit set for such Clearing Member, then OTC Clear will make a Routine Intra-day VM Call with respect to such Clearing Member.

Routine Intra-day VM Call will be determined and presented in the Base Currency, and a Clearing Member may satisfy the Routine Intra-day VM Call either in cash in any Eligible Currency, or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures under the circumstances described in Clearing Rule 1211.

References to "intra-day market movements" as used in this section 4.1(ii)(b) means, with respect to an OTC Clear Clearing Day, any mark-to-market movements during the period from the completion of the End-of-Day Settlement Process on the immediately preceding OTC Clear Clearing Day to the time preceding the Routine VM Call Time, taking into account the latest market data then available, on such OTC Clear Clearing Day; and

- (c) Ad Hoc Intra-day VM Call (see section 4.4.3) – which may be made by OTC Clear at anytime on an OTC Clear Clearing Day and a Northbound Clearing Day if it determines that the then market conditions warrant an Ad Hoc Intra-day VM Call. The imposition of an Ad Hoc Intra-day VM Call, if applicable, will apply to each Clearing Member with respect to each Contract then registered in its name (including both House Position Account and Client Position Account, if any). With respect to each such Contract, Ad Hoc Intra-day VM Call will be determined and presented in the Contractual Currency of the relevant Contract, and the Clearing Member shall satisfy the Ad Hoc Intra-day VM Call in cash in any Eligible Currency and non-cash assets eligible as Collateral.

(iii) Additional Margin

- (a) Holiday Margin (see section 4.5.1) – OTC Clear may impose Holiday Margin in the circumstances described in section 4.5.1. Holiday Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Holiday Margin requirements either in cash in any Eligible Currency or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures;
- (b) Others (see section 4.5.2) – OTC Clear may also impose additional Margin in the circumstances described in section 4.5.2. Each of Holiday Margin, Notional Exchange Failure Margin and any additional Margin imposed by OTC Clear in the circumstances described in section 4.5.2 shall be "**Additional Margin**". Additional Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Additional Margin requirements either in cash in any Eligible Currency (provided that if a specific Eligible Currency is demanded by OTC Clear, the relevant Additional Margin requirement may only be satisfied in that Eligible Currency) or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures. OTC Clear may demand Additional Margin on each OTC Clear Clearing Day: at 08:30 hours Hong Kong time, at 14:15 hours Hong Kong time and at any other time determined by OTC Clear between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time; and

- (c) Notional Exchange Failure Margin (see section 4.5.3) – OTC Clear may also demand Notional Exchange Failure Margin in the circumstances described in section 4.5.3.

- (iv) Participating Margin

Participating Margin (see section 4.5A) covers the aggregate of: (i) the potential future exposure that OTC Clear could face in normal market conditions in the interval between its last Variation Margin collection in respect of each Inter-CCP Rates Derivatives Contract recorded to the Special Clearing House Participant's House Position Account and the close-out of such Contracts following the occurrence of a DMP Event with respect to the Special Clearing House Participant and OTC Clear; and (ii) the IM Add-on (as defined in section 11.6.1(i) of these Clearing Procedures).

Pricing and market data for calculating Margin (including construction of curves used in such calculations) will be obtained by OTC Clear from external quotes and third party sources throughout an OTC Clear Clearing Day and a Northbound Clearing Day. Details of the relevant pricing and market data, as well as curve construction methodology, for Rates Derivatives Contracts and FX Derivatives Contracts are set out in sections 5.1 and 5.2 of these Clearing Procedures, respectively.

In respect of any Margin requirements determined and presented in the Base Currency that may be satisfied by a Clearing Member in an Eligible Currency other than the Base Currency or non-cash assets denominated in a currency other than the Base Currency, satisfaction of such Margin requirements will be determined by OTC Clear by reference to relevant exchange rate(s) using third party data sources available on the latest practicable Currency Day.

In respect of Participating Margin requirements which are determined and presented in the Base Currency that may be satisfied by a Clearing Member in another Eligible Inter-CCP Currency, subject to a Collateral Concentration Limit specified in section 7.4A. Satisfaction of such Participating Margin requirements will be determined by OTC Clear by reference to relevant exchange rate(s) using third party data sources available on the latest practicable Currency Day. The relevant exchange rate(s) will be notified to Clearing Members.

4.2 Initial Margin

Initial Margin in respect of a Position Account covers the potential future exposure that OTC Clear could face in normal market conditions in the interval between its last Variation Margin collection in respect of such Position Account and the close-out of all Contracts recorded to such Position Account following the occurrence of a DMP Event with respect to the relevant Clearing Member. Pursuant to Clearing Rule 1205, OTC Clear may, at any time during an OTC Clear Clearing Day and Northbound Clearing Day, demand ad hoc intra-day Initial Margin from each Clearing Member if it determines that the then market conditions warrant this. OTC Clear will, to the extent reasonably practicable, consult with the Risk Management Committee prior to determining whether the market conditions at the relevant time warrant a demand for ad hoc intra-day Initial Margin. If OTC Clear is unable to consult with the Risk Management Committee sufficiently promptly in the circumstances, OTC Clear will consult with the chief executive of OTC Clear. In the event that the chief executive of OTC Clear is unavailable at the time for any reason, OTC Clear will consult with any Representative of OTC Clear designated by the OTC Clear Board from time to time for purposes of the applicable consultation. In determining the amount of Collateral required with respect to each Position Account as a result of a demand for ad hoc intra-day Initial Margin, OTC Clear will perform

a process substantially similar to the End-of-Day Settlement Process that relates to the determination of end-of-day Initial Margin. In addition to issuing the relevant call for ad hoc intra-day Initial Margin, OTC Clear will also use reasonable endeavours to notify each Clearing Member of such demand by telephone call or electronic mail.

4.2.3.1 Liquidity Risk Multiplier

Liquidity risk multiplier (the “**Liquidity Risk Multiplier**”) is one type of risk multipliers that may be imposed by OTC Clear. OTC Clear will apply the Liquidity Risk Multiplier to the Initial Margin calculation of a Clearing Member’s Position Account if a Clearing Member’s portfolio of Contracts in its House Position Account or any of its Client Position Accounts have exposures above set thresholds in a particular parameter, including but without limitation to currency, curve or underlying rate or in respect of the aggregate portfolio risk.

In order to determine the calibration of the levels of Liquidity Risk Multiplier to be applied to the Initial Margin calculations of a Clearing Member’s Position Account, OTC Clear may solicit bid/ask spread data or request other information from Clearing Members and the Special Clearing House Participant. The level of the Liquidity Risk Multiplier may vary from time to time, and OTC Clear will notify the Clearing Members of the updated level of the Liquidity Risk Multiplier.

As a result of the application of a Liquidity Risk Multiplier to the Initial Margin calculation with respect to a Position Account, additional Initial Margin will be required in respect of such Position Account.

4.3.1 Calculation and Valuation Process

OTC Clear will calculate, regularly, during the Margin Process Hours, the net present value and market price movements of each Contract using zero coupon curves constructed in accordance with Chapter 5 of these Clearing Procedures based on the latest market prices available from market sources. The latest market prices utilised in such calculations will be published on the Web Portal on each OTC Clear Clearing Day and Northbound Clearing Day.

4.3.2 Price Alignment Interest

Variation Margin will be adjusted by application of price alignment interest (“**PAI**”). Without a PAI, the pricing of a Contract registered with OTC Clear would be distorted from that of equivalent transactions which are not registered with OTC Clear. PAI is intended to settle the internal rate of return on the cumulative Variation Margin payments transferred in respect of each OTC Clear Clearing Day and Northbound Clearing Day.

In respect of each Clearing Member and its House Position Account and Client Position Account(s) (for such purpose, each Client Position Account shall be treated separately), PAI will be calculated separately in respect of all Contracts (except Standard Northbound Rates Derivatives Contracts) with the same Contractual Currency in each such Position Account during the End-of-Day Settlement Process on each OTC Clear Business Day from (and including) the first OTC Clear Business Day after the trade date of the relevant Contract to (and including) the OTC Clear Business Day prior to the settlement date of the relevant Contract (each, “**T₀**”). PAI is calculated by OTC Clear in accordance with the following formula:

$$PAI_{T_0} = NPV_{T-1} \times PAI \text{ Rate}_{T_{PAI}} \times \text{Accrual Factor}$$

where,

- (i) NPV_{T-1} is the net present value determined as at 19:00 hours Hong Kong time on $T-1$ or such other time on $T-1$ as OTC Clear considers appropriate and notifies to the Clearing Members from time to time, where “ T_0 ” is an OTC Clear Business Day and “ $T-1$ ” is the OTC Clear Business Day immediately preceding T_0 ;
- (ii) “**PAI Rate**” means the annual percentage rate is determined by OTC Clear by reference to the relevant end-of-day overnight index swap (“**OIS**”) curves calculated on T_{PAI} , where “ T_{PAI} ” is the Currency Day (for the relevant Contractual Currency) immediately preceding T_0 if the relevant OIS curves are available on such day ($T-1$), or if the relevant OIS curves are not available on $T-1$, the last relevant OIS curves available (for the avoidance of doubt, if T_{PAI} falls on a day other than a Currency Day, the relevant OIS curves the nearest immediately preceding Currency Day will be used); and
- (iii) “**Accrual Factor**” means the day count fraction that is used by OTC Clear to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year with a number of days equal to:
 - (a) 360 calendar days; or
 - (b) 365 calendar days,

as OTC Clear may, from time to time, determine to be appropriate in accordance with the then market convention for the conversion of the PAI Rate.

PAI will be apportioned to each Standard Northbound Rates Derivatives Contract by OTC Clear from the price alignment interest determined by the Special Clearing House Participant for the relevant Inter-CCP Rates Derivatives Contract with equal but opposite terms to (and which have been created to correspond to) such Standard Northbound Rates Derivatives Contract.

PAI will be notified to each Clearing Member and each Sponsored Settlement Member (where applicable), and will be paid or received by such Clearing Member or Sponsored Settlement Member, as the case may be, as part of the Clearing Member's Variation Margin requirement.

4.4.3 Ad Hoc Intra-day VM Call

In addition to the Routine Intra-day VM Call described in section 4.4.2, OTC Clear may make an ad hoc intra-day Variation Margin call (an “**Ad Hoc Intra-day VM Call**”) at any time on an OTC Clear Clearing Day or Northbound Clearing Day if OTC Clear determines that the market conditions at the relevant time requires an Ad Hoc Intra-day VM Call. OTC Clear will, to the extent reasonably practicable, consult with the Risk Management Committee prior to determining whether the market conditions at the relevant time warrant this. If OTC Clear is unable to consult with the Risk Management Committee sufficiently promptly in the circumstances, OTC Clear will consult with the chief executive of OTC Clear. In the event that the chief executive of OTC Clear is unavailable at the time for any reason, OTC Clear will consult with any Representative of OTC Clear designated by the OTC Clear Board from time to time for purposes of the applicable consultation.

Once OTC Clear determines that an Ad Hoc Intra-day VM Call shall be imposed, such imposition of Ad Hoc Intra-day VM Call shall apply to each Clearing Member with respect to each Contract then registered in its name (including its House Position Account and Client Position Account, if

any). In determining the amount of Collateral required with respect to each Contract as a result of the Ad Hoc Intra-day VM Call, no PAI adjustment will be made in the determination of an Ad Hoc Intra-day VM Call. Upon imposition of an Ad Hoc Intra-day VM Call in respect of a Position Account, each Clearing Member must deposit Collateral to ensure that it has a Margin Balance on the corresponding Collateral Account that is equal to or greater than the Margin requirement on that Position Account.

In addition to issuing the relevant Ad Hoc Intra-day VM Call on the Web Portal, OTC Clear will also use reasonable endeavours to notify each Clearing Member of the Ad Hoc Intra-day VM Call by telephone call or electronic mail.

Please refer to the Web Portal User Manual for more details on the timing of an Ad Hoc Intra-day VM Call.

4.5.2 Others

In addition to the Holiday Margin described in section 4.5.1 and Notional Exchange Failure Margin in section 4.5.3, OTC Clear may impose Additional Margin requirements on a Clearing Member at its sole discretion in the following situations:

- (i) if a Clearing Member fails to maintain Capital in an amount at least equal to the greater of its Expected Uncollateralized Loss and Minimum Capital Requirement;
- (ii) if a Clearing Member fails to maintain Capital in an amount required to ensure the value of its then CM Funded Contribution Amount (determined on an OTC Clear Clearing Day as if it was a Rates and FX Contribution Determination Date) is less than 20% of the then total amount of the Capital of such Clearing Member (please see section 2.3.1 of these Clearing Procedures);
- (iii) if a Clearing Member's Membership is being suspended by OTC Clear pursuant to Clearing Rule 601;
- (iv) in the circumstances described under Clearing Rule 1510;
- (v) if the Margin Balance of a Clearing Member decreases due to either market movement affecting the value of such Collateral or change in the applicable Collateral Haircut, or if OTC Clear determines there are wrong-way risk concerns on any of a Clearing Member's Position Account(s);
- (vi) if a Clearing Member has exceeded any Position Limit or Notional Exchange Risk Limit as described in Clearing Rule 1223(2);
- (vii) if a particular Standard Cross-currency Rates Derivatives Contract of a Clearing Member is registered by OTC Clear one day before any forthcoming Initial Exchange Date of that particular Standard Cross-currency Rates Derivatives Contract, where such day is (1) a Currency Day for each Contractual Currency of that particular Standard Cross-currency Rates Derivatives Contract and (2) an OTC Clear Clearing Day;
- (viii) if a particular Deliverable FX Forward Contract or Deliverable FX Swap Contract of a Clearing Member is registered by OTC Clear one day before any forthcoming Settlement

Date of that particular Deliverable FX Forward Contract or Deliverable FX Swap Contract, where such day is (1) a Currency Day for each Contractual Currency of that particular Deliverable FX Forward Contract or Deliverable FX Swap Contract and (2) an OTC Clear Clearing Day; or

(xi) if the days are OTC Clear Business Days but not Northbound Clearing Days.

In all other situations not specifically provided for under section 4.5.1, this section 4.5.2 or section 4.5.3, OTC Clear may impose Additional Margin requirements on a Clearing Member provided that it has first consulted with the Risk Management Committee.

4.5A Participating Margin

Participating Margin is calculated at regular intervals on each Northbound Clearing Day. With respect to a Clearing Member, Participating Margin is calculated in respect of the Inter-CCP Rates Derivatives Contracts with equal but opposite terms to (and which have been created to correspond to) the Standard Northbound Rates Derivatives Contracts recorded in all Position Accounts of that Clearing Member, as reduced by a multiplier which reflects the Inter-CCP SHCH Margin contributed by the Special Clearing House Participant and the reduction in the amount of Inter-CCP OTCC Margin from netting benefits.

4.6 Margin Process

Margin Process will be performed in respect of submission of Original Transactions and Original Northbound Transactions for registration, and a de-registration request (see section 3.6 of the Clearing Procedures).

Sections 4.6.1 to 4.6.4 relate to the Margin Process conducted in respect of submission of Original Transactions and Original Northbound Transactions, and section 4.6.5 relates to the Margin Process conducted in respect of a de-registration request.

4.6.1 Position Limits

Original Transactions and Original Northbound Transactions submitted for registration must satisfy, without limitation, the following conditions:

- (i) Position Limits check as set out in this section 4.6.1; and
- (ii) Margin and credit check as set out in sections 4.6.2 and 4.6.3.

Pursuant to Clearing Rule 1222, OTC Clear may prescribe, amend or revoke Position Limits. In addition, unless with the prior written approval from OTC Clear, OTC Clear requires a Clearing Member to impose a House Account Limit or (if applicable) Client Account Limit in respect of its House Position Account and Client Position Account(s) in accordance with section 4.6.1.1. Each of the limits referred to in this section 4.6.1 is a Position Limit. OTC Clear will not register any Original Transaction if registering such Original Transaction will cause, among others, a Position Limit

described herein to be breached. All Position Limits imposed by OTC Clear are subject to changes from time to time and OTC Clear will notify the relevant Clearing Member(s) in respect of any such changes.

4.6.2 Margin and Credit Check – Real-Time Novation Process

During the Margin Process Hours on each OTC Clear Clearing Day and Northbound Clearing Day, but excluding any period specified by OTC Clear, OTC Clear will repeatedly perform “**Real-Time Novation**”, which is the process set out in this section 4.6.2.

When an Original Transaction or Original Northbound Transaction is submitted to OTC Clear for registration, OTC Clear will determine the incremental Margin required to cover such transaction together with the Margin requirements in respect of the Position Account(s) to which such transaction will be recorded (for such purpose, each Client Position Accounts shall be treated separately).

Once the Margin requirement in respect of such Original Transaction and Original Northbound Transaction and the relevant Position Account(s) is determined, OTC Clear will perform the Position Limits check and check if the Margin Balance in respect of the relevant Position Account(s) is sufficient to cover the incremental Margin requirement. If OTC Clear is satisfied that the Margin Balance in respect of the relevant Position Account(s) is sufficient to cover the incremental Margin requirement in respect of each Contract to be created upon registration of such Original Transaction or Original Northbound Transaction, and provided that the Position Limits of each relevant Position Account(s) would not be breached as a result of the registration of such Original Transaction or Original Northbound Transaction, OTC Clear will accept for registration such Original Transaction or Original Northbound Transaction and two Contracts will be created pursuant to Clearing Rules 806 and 8A07, respectively.

In respect of each Original Transaction, if OTC Clear determines that either the incremental Margin requirement in respect of each Contract to be created upon registration of such Original Transaction is not satisfied, or the Position Limits of the relevant Position Account(s) would be breached, in each case, as a result of the registration of such Original Transaction, such Original Transaction will be put on “pending” status in the Rates and FX Clearing System. “Pending” Original Transactions as at the end of the Margin Process Hours on an OTC Clear Clearing Day will be rejected by OTC Clear pursuant to section 3.3 of these Clearing Procedures.

In respect of each Original Northbound Transaction, if OTC Clear determines that in any one or more of the following conditions: (i) the incremental Margin requirement in respect of each Contract to be created upon registration of such Original Northbound Transaction is not satisfied, (ii) the Position Limits of the relevant Position Account(s) would be breached, in each case, as a result of the registration of such Original Northbound Transaction, or (iii) if such Original Northbound Transaction is not also accepted for clearing by the Special Clearing House Participant under the SHCH Clearing Rules and SHCH Clearing Guidelines, such Original Northbound Transaction will be rejected by OTC Clear pursuant to section 3.3 of these Clearing Procedures.

For the avoidance of doubt, Participating Margin requirements are assessed separately and do not form part of the Margin and credit check process described above. A Clearing Member's Excess Participating Margin does not form part of its Margin Balance and must be ported into the relevant House Collateral Account or Client Collateral Account in order for such excess Collateral to be

reflected as Margin Balance. OTC Clear will calculate Participation Margin requirements at regular intervals throughout a Northbound Clearing Day and if necessary make a demand for Participating Margin at the next scheduled Participating Margin call.

4.6.5 Margin Process in respect of a de-registration request, an Unwind Proposal and a porting of Client Contracts

- (i) In respect of a de-registration request for a Contract and an Unwind Proposal, OTC Clear will process such de-registration request and Unwind Proposal only if, in respect of the Position Account to which the relevant Contract is recorded, subsequent to the de-registration of such Contract and/or Unwind Proposal:
 - (a) there remains sufficient Margin Balance in the corresponding Collateral Account to satisfy the Margin requirement relating to Contracts remaining in such Position Account; and
 - (b) the Position Limits of such Position Account would not be breached
- (ii) In respect of (a) any porting of Client Contracts following a DMP Event or (b) the porting of Contracts relating to Clients pursuant to Clearing Rule 825, OTC Clear will process such porting request only if:
 - (a) (in the case where not all the Contracts recorded in the same Position Account are to be ported) there is sufficient Margin Balance and Participating Margin Balance in the corresponding Collateral Account to satisfy the Margin requirement relating to Contracts remaining in such Position Account;
 - (b) in respect of the Position Account to which the relevant Contract is recorded, subsequent to the porting of such Contract, there is or will be sufficient Margin Balance and Participating Margin Balance in the corresponding Collateral Account to satisfy the revised Margin requirement relating to such Position Account; and
 - (c) the Position Limits of the relevant Position Accounts of the Clearing Member, Transferor Clearing Member, the Transferee Clearing Member and/or the Replacement Clearing Member as applicable would not be breached.

4.7 End-of-Day Valuation and Settlement Process

The end-of-day pricing and market data cut-off time is at or around 16:00 hours Hong Kong time on each OTC Clear Clearing Day and Northbound Clearing Day (the “**End-of-Day Cut Off Time**”). OTC Clear will use the market price at such time to determine the risk exposure and the Margin requirements in respect of each Position Account (together, the “**End-of-Day Margin Requirements**”) in its end-of-day valuation and settlement process, which commences at 19:00 hours Hong Kong time on each OTC Clear Clearing Day and Northbound Clearing Day (the “**End-of-Day Settlement Process**”). The End-of-Day Settlement Process of an OTC Clear Clearing Day and Northbound Clearing Day will end when the end-of-day Margin reports are made available to Clearing Members on such OTC Clear Clearing Day and such Northbound Clearing Day pursuant to section 4.7.1.

The End-of-Day Settlement Process will capture the incremental risk exposure for a Clearing Member on any given OTC Clear Clearing Day and any given Northbound Clearing Day. OTC

Clear performs its regular Variation Margin calculation during the End-of-Day Settlement Process, and any Variation Margin gains determined in favour of a Clearing Member resulting from the market price movements of a Contract on such day will be redelivered to the relevant Clearing Member through the End-of-Day Settlement Process. If an OTC Clear Clearing Day or a Northbound Clearing Day is not a Currency Day for the Contractual Currency in which the Variation Margin is denominated, then OTC Clear will not make, or demand, a Variation Margin payment in respect of such Contract during the End-of-Day Settlement Process on such OTC Clear Clearing Day or Northbound Clearing Day. The relevant Variation Margin will be made, or demanded, by OTC Clear on the immediately following Currency Day for the relevant Contractual Currency. For the avoidance of doubt, whilst any Variation Margin gains as a result of market price movements will be redelivered to a Clearing Member through the End-of-Day Settlement Process, any Collateral constituting the Excess Margin will only be redelivered to a Clearing Member upon its request pursuant to Clearing Rule 1218.

4.7.1 Margin Reporting

Clearing Members can obtain certain information relating to end-of-day settlement curves, market price movements, Initial Margin, Additional Margin, Participating Margin, Variation Margin and net present value, in each case, relating to one or more of its Position Accounts on the Web Portal. Sponsored Settlement Members (where applicable) can also obtain certain information in respect of Variation Margin (other than Routine Intra-day Variation Margin) relating to the relevant Clearing Member's Position Account on the Web Portal.

The detailed Margin reports will show the End-of-Day Margin Requirements of each Clearing Member in respect of each of its Position Accounts. For information relating to Margin reporting, please refer to section 3.16 of these Clearing Procedures.

The End-of-Day Margin Requirements as shown in such Margin reports reflect the risk exposure of each relevant Contract on the Rates and FX Clearing System at a cut-off time of 19:00 hours Hong Kong time on an OTC Clear Clearing Day and a Northbound Clearing Day. The final Margin reports would be made available to each Clearing Member or Sponsored Settlement Member (where applicable) on each OTC Clear Clearing Day and Northbound Clearing Day.

4.7.2 Settlement of Margin Requirements

The table below summarises the timing and manner in which relevant Margin requirements shall be satisfied by Clearing Members*:

* Please see Chapter 7 of these Clearing Procedures for more information on the types of eligible cash and non-cash Collateral and any applicable Collateral Haircut.

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
End-of-day Initial Margin	At 08:30 hours Hong Kong time on an OTC Clear Clearing Day via Margin call issued on the Web Portal	09:30 hours Hong Kong time on the OTC Clear Clearing Day on which the Margin call is made	Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Ad hoc intra-day Initial Margin	At any time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear on an OTC Clear Clearing Day and a Northbound Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
End-of-day Variation Margin	On an OTC Clear Clearing Day and Northbound Clearing Day by publication in the OTC Clear Settlement Report (Report Number STRP01) or "OTC Clear Settlement Report for Client ((Report Number STRP01_C)"	11:00 hours Hong Kong time on the OTC Clear Clearing Day or Northbound Clearing Day immediately following the publication of the end-of-day Margin report, provided that such day is a Currency Day for the currency in which the end-of-day Variation Margin is denominated	Cash only in the Contractual Currency of the relevant Contract
Routine Intra-day VM Call	At the Routine VM Call Time on an OTC Clear Business Day via Margin call on the Web Portal	Within an hour following the Routine Intra-day VM Call	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
Ad Hoc Intra-day VM Call	At any time determined by OTC Clear on an OTC Clear Clearing Day and Northbound Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Holiday Margin	At 08:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period via Margin call on the Web Portal	By 09:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Notional Exchange Failure Margin	At any time determined by OTC Clear on an OTC Clear Business Day via Margin call on the Web Portal or Email	Within 90 minutes following demand made by OTC Clear	Cash only in the specified Eligible Currency required by OTC Clear

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
Other Additional Margin	Up to three times on each OTC Clear Clearing Day: At (1) 08:30 hours Hong Kong time; (2) 14:15 hours Hong Kong time and (3) at any other time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear, in each case, on an OTC Clear Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency (provided that if a specific Eligible Currency is requested by OTC Clear, the relevant Additional Margin requirement may only be satisfied in that Eligible Currency) and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Participating Margin	Up to two times on each Northbound Clearing Day: At (1) 08:30 hours Hong Kong time and (2) 14:15 hours Hong Kong time via Participating Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Inter-CCP Currency

Chapter 5

Curve Construction

5.1 Curve Construction for Rates Derivatives Contracts

5.1.2 Market Instrument

The zero coupon yield curves are constructed using benchmark instruments that represent the most liquid part of the relevant yield curves, subject to their availability among different markets. Such benchmark instruments include, but are not limited to, deposits, interest rate futures, forward rate agreements, swaps, OIS and basis swaps. Benchmark instruments used in settlement curve construction may include, but are not limited to, the following:

Benchmark Instrument List	Type
O/N Interbank Money Market	Yield
T/N Interbank Money Market	Yield
1 week Interbank Money Market	Yield
2 week Interbank Money Market	Yield
1 month Interbank Money Market	Yield
2 month Interbank Money Market	Yield
3 month Interbank Money Market	Yield
6 month Interbank Money Market	Yield
0 x 3 forward rate agreement	Yield
0 x 6 forward rate agreement	Yield
2nd forward rate agreement	Yield
3rd forward rate agreement	Yield
4th forward rate agreement	Yield
5th forward rate agreement	Yield
6th forward rate agreement	Yield
1 month Swap	Yield
2 month Swap	Yield
3 month Swap	Yield
6 month Swap	Yield
9 month Swap	Yield

1 Year Swap	Yield
2 Year Swap	Yield
3 Year Swap	Yield
4 Year Swap	Yield
5 Year Swap	Yield
6 Year Swap	Yield
7 Year Swap	Yield
8 Year Swap	Yield
9 Year Swap	Yield
10 Year Swap	Yield
11 Year Swap	Yield
12 Year Swap	Yield
15 Year Swap	Yield
20 Year Swap	Yield
25 Year Swap	Yield
30 Year Swap	Yield

5.1.3 Market Sources

OTC Clear obtains quotes for the relevant benchmark instrument used in zero coupon yield curves construction from direct data feeds of appropriate market sources selected by OTC Clear ("**Relevant Market Sources**"), provided that, in respect Standard Northbound Derivatives Contracts, direct data feeds from the Special Clearing House Participant will be used exclusively unless market price(s) of the relevant benchmark instrument(s) is not provided by the Special Clearing House Participant at the relevant time, in which case, OTC Clear will refer to other Relevant Market Sources selected by it in its sole and absolute discretion.

Please contact OTC Clear for details of the Relevant Market Sources.

5.1.4 Construction of Zero Coupon Yield Curves

OTC Clear will construct zero coupon yield curves using bootstrapping methodology and apply interpolation techniques as OTC Clear may consider appropriate in its sole discretion. Please contact OTC Clear for details of the construction method and interpolation techniques used.

OTC Clear will update the relevant zero coupon yield curves using market prices of the relevant benchmark instruments obtained from the Relevant Market Sources at regular intervals during Margin Process Hours on each OTC Clear Clearing Day and Northbound Clearing Day for purposes of determining the Margin requirements in respect of each Rates Derivatives Contract. In order to ensure accuracy of a zero coupon yield curve, OTC Clear will compare the updated zero coupon

yield curve against the corresponding zero coupon yield curve determined during the End-of-Day Settlement Process on the immediately preceding OTC Clear Clearing Day and, on the immediately preceding Northbound Clearing Day. Subject to availability and liquidity of the relevant benchmark instruments, curves constructed for discounting and rate forecasting could be different to allow for OIS discounting.

As part of the End-of-Day Settlement Process, OTC Clear will construct the relevant zero coupon yield curves for each Rates Derivatives Contract using the market price of the relevant benchmark instruments obtained at the End-of-Day Cut Off Time on each OTC Clear Clearing Day and Northbound Clearing Day, as applicable.

5.1.5 Market Data and Frequencies

OTC Clear obtains the prices for each of interest rate curves from the source(s) (each, a “**Source**”) and at the frequency (“**Frequency**”) set out below:

- (i) Interest rate curve:
 - (a) Source – OTC Clear
 - (b) Frequency – at regular intervals during the Margin Process Hours on each OTC Clear Clearing Day and Northbound Clearing Day
- (ii) PAI rates:
 - (a) Source – OTC Clear for all Contracts except Standard Northbound Rates Derivatives Contracts
 - (b) Frequency – once daily during the End-of-Day Settlement Process on each OTC Clear Clearing Day
- (iii) PAI amount for Standard Northbound Rates Derivatives Contracts
 - (a) Source – in respect of each Standard Northbound Rates Derivatives Contract, the PAI amount paid by the Special Clearing House Participant in respect of the Inter-CCP Rates Derivatives Contract with equal but opposite terms to (and which have been created to correspond to) such Standard Northbound Rates Derivatives Contract
 - (b) Frequency – once daily during the End-of-Day Settlement Process on each Northbound Clearing Day

5.2.2 Market Data and Frequencies

OTC Clear obtains the prices for each of FX spot rates, FX swap points and interest rate curves from the source(s) (each, a “**Source**”) and at the frequency (“**Frequency**”) set out below:

- (i) FX spot rates:
 - (a) Source – received by OTC Clear through a live link from the Relevant Market Source(s)

- (b) Frequency – at regular intervals during the Margin Process Hours on each OTC Clear Clearing Day
- (ii) FX swap point:
 - (a) Source – received by OTC Clear through a live link from the Relevant Market Source(s) for each Tenor set out below
 - (b) Tenor (“**Tenor**”) – may include, but are not limited to, the tenors shown in the list below:

Tenor
S/N
1 week
2 weeks
1 month
2 months
3 months
6 months
9 months
1 year
2 years
3 years
4 years
5 years

- (c) Frequency – at regular intervals during the Margin Process Hours on each OTC Clear Clearing Day
- (iii) Interest rate curve:
 - (a) Source – OTC Clear
 - (b) Frequency – at regular intervals during the Margin Process Hours on each OTC Clear Clearing Day
- (iv) PAI rates:
 - (a) Source – OTC Clear
 - (b) Frequency – once daily during the End-of-Day Settlement Process on each OTC Clear Clearing Day

Chapter 6

Rates and FX Guarantee Resources

6.1.1 Rates and FX Guarantee Fund

The CM Funded Contribution Amount for each Clearing Member will be determined by OTC Clear on each Rates and FX Contribution Determination Date, being an amount equal to the greater of:

- (i) HK\$ 50 million or equivalent (after applying Collateral Haircuts on Collateral), being the Rates and FX Minimum Contribution Amount; and
- (ii) the product of:
 - (a) 110% of the highest Max EUL value amongst the Max EUL values determined on each OTC Clear Clearing Day falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date (Max EUL is defined and determined pursuant to section 6.1.1(6), as modified by section 6.1.1(8) if Client Clearing Services are provided by one or more Clearing Members on OTC Clear Clearing Days falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date); and
 - (b) the average of the relative pro-rata percentage shares relating to such Clearing Member determined in respect of each OTC Clear Clearing Day falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date, where:

“GF Calculation Period” means, with respect to a Rates and FX Contribution Determination Date occurring on the first or second OTC Clear Business Day of a calendar month pursuant to Clearing Rule 1503(1), each OTC Clear Clearing Day falling within the immediately preceding calendar month; and with respect to a Rates and FX Contribution Determination Date occurring on any other day pursuant to Clearing Rule 1503(2) or 1503(3), each OTC Clear Clearing Day falling within the calendar month in which such Rates and FX Contribution Determination Date falls up to (but excluding) such Rates and FX Contribution Determination Date.

While the resizing of the CM Funded Contribution Amount for each Clearing Member will only be performed on each Rates and FX Contribution Determination Date as defined in, and pursuant to, Clearing Rule 1503, OTC Clear will perform, for risk monitoring purposes, stress testing and calculation of the relevant pro-rata percentage share and the Daily GF Value with Reserve in respect of each Clearing Member on each OTC Clear Clearing Day.

Below is an illustrative example to show how the relative pro-rata percentage share and the Daily GF Value with Reserve are determined for each Clearing Member on OTC Clear Clearing Day “X”:

Clearing Member / Special Clearing House Participant	Position Account STV ^(2a)	Position Account Stress Addition ^(2b)	Margin Balance ⁽³⁾	Expected Uncollateralized Loss ⁽⁴⁾	Relative pro-rata percentage share ⁽⁵⁾	Daily GF Value ⁽⁶⁾	Daily GF Value with Reserve ⁽⁷⁾
Clearing Member A	1,000	80	630	450	25.00%	125.00	137.50
Clearing Member B	300	20	120	200	11.11%	55.56	61.11
Clearing Member C	500	50	300	250	13.89%	69.44	76.39
Clearing Member D	800	100	400	500	27.78%	138.89	152.78
Clearing Member E	600	60	460	200	11.11%	55.56	61.11
Clearing Member F	400	20	220	200	11.11%	55.56	61.11
Special Clearing House Participant	420	30	180	270	Not Applicable	Not Applicable	Not Applicable
Total (Excluding Special Clearing House Participant)				1,800	100%	500	550

(1) Assumptions

There are six Clearing Members A, B, C, D, E, F and the Special Clearing House Participant, and none of the six Clearing Members engages in Client Clearing Services. As such, in this illustrative example, in respect of each Clearing Member and the Special Clearing House Participant, OTC Clear will perform the calculations set out in parameters (2a), (2b), (3) and (4) below on such Clearing Member's and Special Clearing House Participant's House Position Account.

Parameter (8) below explains how the Expected Uncollateralized Loss with respect to a Clearing Member may be different in case a Clearing Member engages in Client Clearing Services.

(2a) Position Account STV

In respect of each Clearing Member and the Special Clearing House Participant and an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

- (i) the net present value of each Position Account of each Clearing Member and the Special Clearing House Participant (the “**Base NPV**”); and
- (ii) the net present value of each Position Account of each Clearing Member and the Special Clearing House Participant under each stress scenario prescribed by the stress test model prescribed by OTC Clear as described further in section 6.3. The stress test value derived for 6.3 (each a “**Stress NPV**”).

In respect of each Position Account of a Clearing Member and the Special Clearing House Participant on an OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress NPV against the Base NPV) for that Position Account on that day is referred to as the “**Position Account STV**”.

(2b) Position Account Stress Add-on

In respect of each Clearing Member or Special Clearing House Participant and an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

- (i) the net present value of each Position Account and Collateral Account of each Clearing Member and the Special Clearing House Participant (the “**Base XNPV**”); and
- (ii) the net present value of each Position Account and Collateral Account of each Clearing Member and the Special Clearing House Participant, under each stress scenario prescribed by the stress test model prescribed by OTC Clear as described further in section 6.3. The stress test value derived for section 6.3 (the “**Stress XNPV**”);

in respect of a Clearing Member, its Collateral Account means the Margin Balance excluding the value of any Excess Margin;

in respect of the Special Clearing House Participant, its Collateral Account means the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH Margin and any excess collateral posted by OTC Clear.

In respect of each Position Account and Collateral Account on an OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress XNPV against the Base XNPV) for that Position Account on that day is referred to as the “**Position and Collateral Account STV**”.

Unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, Excess Margin shall be excluded in the calculation of Stress XNPV and

Position and Collateral Account STV. For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/Porting Notice or a Non-cash Collateral Withdrawal/Porting Notice, the amount set out in such notice shall be excluded from such calculation from the date of such notice.

In respect of each Position Account on an OTC Clear Clearing Day, the increase in the largest net present value (determined by comparing Position and Collateral Account STV against the Position Account STV) for that Position Account after taking Collateral Account into account on that day is referred to as the “**Collateral Stress Add-on**”.

In addition to the Collateral Stress Add-on, OTC Clear may apply other stress add-ons, including but not limited to those relating to the risk parameters under Clearing Procedures 4.2.3, 4.5.2(viii) and 4.5.3, at the End of Day Cut Off Time on each OTC Clear Clearing Day. The aggregate of any Collateral Stress Add-on and such other stress add-ons in respect of each Position Account of a Clearing Member shall be regarded as the “**Position Account Stress Add-on**”.

(3) Margin Balance (for the purpose of Rates and FX Guarantee Fund calculation)

With respect to a Clearing Member, OTC Clear shall exclude from the Margin Balance any additional Collateral provided under Clearing Rule 1510 and any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit and it is assumed that there is no Excess Margin with respect to the Clearing Member’s House Position Account.

With respect to the Special Clearing House Participant, such balance refers to the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH Margin, any excess collateral posted by OTC Clear and any IM Add-on as defined in section 11.6 of these Clearing Procedures.

(4) Expected Uncollateralized Loss

On each OTC Clear Clearing Day, OTC Clear will then determine the Position Account EUL for each Position Account of each Clearing Member and the Position Account EUL for the House Position Account of the Special Clearing House Participant, where:

“**Position Account EUL**” means, with respect to:

- (i) a Position Account of a Clearing Member and an OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included*, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any

* For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/ Porting Notice or a Non-cash Collateral Withdrawal/ Porting Notice, the amount set out in such notice shall be excluded from the Margin Balance from the date of such notice.

Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) recorded to the Collateral Account relating to such Position Account, each determined as of the End-of-Day Cut Off Time on such OTC Clear Clearing Day; or

- (ii) the House Position Account of the Special Clearing House Participant and an OTC Clear Clearing Day an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH Margin, any excess collateral posted by OTC Clear and any IM Add-on as defined in section 11.6 of these Clearing Procedures, each determined as of the End-of-Day Cut Off Time on such OTC Clear Clearing Day.

In this illustrative example where none of the Clearing Members engages in Client Clearing Services, the “**Expected Uncollateralized Loss**” for each such Clearing Member is the Position Account EUL relating to its House Position Account. If a Clearing Member engages in Client Clearing Services, the “**Expected Uncollateralized Loss**” for such Clearing Member is the sum of the Position Account EUL relating to its House Position Account and the aggregate of the Position Account EULs with positive values relating to all such Clearing Member’s Client Accounts.

(5) Relative pro-rata percentage share

The “**relative pro-rata percentage share**” means, with respect to a Clearing Member and an OTC Clear Clearing Day, the Expected Uncollateralized Loss with respect to such Clearing Member on such day divided by the total Expected Uncollateralized Loss with respect to all Clearing Members on such day. In the illustrative example, since the total Expected Uncollateralized Loss for all six Clearing Members is 1,800, the relative pro-rata percentage share of each Clearing Member will be a percentage equal to such Clearing Member’s Expected Uncollateralized Loss divided by the total Expected Uncollateralized Loss of 1,800. In the case of Clearing Member A, its relative pro-rata percentage share is 25% (being 450/1800) on OTC Clear Clearing Day “X”. For avoidance of doubt, the relative pro-rata percentage share for the Special Clearing House Participant is not illustrated as the Special Clearing House Participant is exempted from Rates and FX Contribution.

(6) Daily GF Value

In respect of each Clearing Member and an OTC Clear Clearing Day, OTC Clear will determine the “**Daily GF Value**” for such Clearing Member on such day to be the product of the Max EUL and the relative pro-rata percentage share on such day, where “**Max EUL**” means, on any given OTC Clear Clearing Day, an amount equal to the greater of:

- (i) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members and the Special Clearing House Participant under the same stress scenario within the GF Calculation Period; and
- (ii) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members

under the same stress scenario within the GF Calculation Period, with the following modifications:

- (a) the Expected Uncollateralized Loss amount of all Clearing Members who are Affiliates of one another shall be aggregated with the Expected Uncollateralized Loss amount of the largest Affiliate; and
- (b) the selection of the largest Expected Uncollateralized Loss amount is made on a revised pool excluding the Expected Uncollateralized Loss amounts determined in respect of the smaller Affiliated Clearing Members.

For avoidance of doubt, the Daily GF Value for the Special Clearing House Participant is not illustrated as the Special Clearing House Participant is exempted from Rates and FX Contribution.

(7) Daily GF Value with Reserve

The “**Daily GF Value with Reserve**” in respect of a Clearing Member will be calculated on each OTC Clear Clearing Day by multiplying the Daily GF Value of such Clearing Member determined on such day by 110%. In the case of Clearing Member A, its Daily GF Value with Reserve is 137.5 (being 125 X 110%) on OTC Clear Clearing Day “X”.

(8) Client Clearing Services

With respect to any Clearing Member who engages in Client Clearing Services:

- (i) OTC Clear will determine the Position Account STV, Position Account Stress Add-on, Margin Balance and Position Account EUL for each Client Position Account of such Clearing Member in exactly the same manner as described in parameters (2a), (2b), (3) and (4) above;
- (ii) the “**Expected Uncollateralized Loss**” for such Clearing Member shall be the sum of:
 - (a) the Position Account EUL relating to its House Position Account; and
 - (b) the aggregate of the Position Account EULs with positive values relating to all Clearing Member’s Client Accounts.

6.2 Excess Margin and CM Funded Contribution Amount

Pursuant to section 6.1.1(4), with respect to each Clearing Member, its Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included*, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) will be used to determine its Position

* For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/ Porting Notice or a Non-cash Collateral Withdrawal/ Porting Notice, the amount set out in such notice shall be excluded from the Margin Balance from the date of such notice.

Account EUL and its relative pro rata percentage share and such Excess Margin (if any) will be taken into account by OTC Clear to reduce the CM Funded Contribution Amount applicable to that Clearing Member.

Assuming that, applying the calculations referred to in parameter (2a) above, the House Position Account of Clearing Member A gives the highest Position Account STV, and assuming further that Clearing Member A has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts and now has Excess Margin of 150 provided to reduce the Expected Uncollateralized Loss on top of its Initial Margin recorded to the Collateral Account relating to the House Position Account, using the figures in the above illustrative example, the Margin Balance of Clearing Member A will be increased from 630 to 780.

Based on the same calculation methodology described in section 6.1, Clearing Member A's relative pro-rata percentage share and Daily GF Value on OTC Clear Clearing Day "X" will be reduced as shown in the table below:

Clearing Member / Special Clearing House Participant	Position Account STV	Position Account Stress Add-on	Margin Balance**	Expected Uncollateralized Loss	Relative pro-rata percentage share	Daily GF Value	Daily GF Value with Reserve
Clearing Member A	1,000	80	630 → 780	300	18.18%	90.91	100.00
Clearing Member B	300	20	120	200	12.12%	60.61	66.67
Clearing Member C	500	50	300	250	15.15%	75.76	83.33
Clearing Member D	800	100	400	500	30.30%	151.52	166.67
Clearing Member E	600	60	460	200	12.12%	60.61	66.67
Clearing Member F	400	20	220	200	12.12%	60.61	66.67
Total				1,650	100%	500	550

In the illustrative example, Margin Balance excludes (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included; (ii) any additional Collateral provided under Clearing Rule 1510; and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit.

The relative pro-rata percentage share calculated on OTC Clear Clearing Day "X" will be averaged with the relative pro-rata percentage share calculated on the OTC Clear Clearing Days in the relevant Calculation Period relating to the relevant Rates and FX Contribution Determination Date in determining the CM Funded Contribution Amount of Clearing Member A on such Rates and FX Contribution Determination Date.

6.2A Where the Special Clearing House Participant is the highest Expected Uncollateralized Loss

Although the Special Clearing House Participant is exempted from Rates and FX Contribution, its Position Account STV, Position Account Stress Add-on and Expected Uncollateralized Loss is calculated and ranked for the purpose determining the highest Max EUL and consequently each Clearing Members' Daily GF Value with Reserve.

Illustrated in the table below is how each Clearing Members' Daily GF Value with Reserve will be affected where the Special Clearing House Participant has the highest Expected Uncollateralized Loss:

Clearing Member / Special Clearing House Participant	Position Account STV	Position Account Stress Add-on	Margin Balance	Expected Uncollateralized Loss	Relative pro-rata percentage share	Daily GF Value	Daily GF Value with Reserve
Clearing Member A	1,000	80	630	450	25.00%	150	165
Clearing Member B	300	20	120	200	11.11%	66.66	73.33
Clearing Member C	500	50	300	250	13.89%	83.34	91.67
Clearing Member D	800	100	400	500	27.78%	166.68	183.35
Clearing Member E	600	60	460	200	11.11%	66.66	73.33
Clearing Member F	400	20	220	200	11.11%	66.66	73.33
Special Clearing House Participant	900	100	400	600	Not Applicable	Not Applicable	Not Applicable
Total (Excluding Special Clearing House Participant)				1,800	100%	600	660

Chapter 7

Collateral

7.1 Acceptable Collateral

OTC Clear may, at its sole discretion, determine from time to time the types of assets which are acceptable as Collateral for purposes of Margin requirements and Rates and FX Contribution, and determine when any asset will cease to be acceptable as Collateral for such purposes. OTC Clear publishes the list of eligible Collateral on the HKEX website and updates it from time to time. OTC Clear reserves the right to change the list of eligible Collateral at its sole and absolute discretion. Assets previously posted to OTC Clear as Collateral but which no longer qualify as eligible Collateral will not be taken into account for the purposes of determining a Clearing Member's Margin Balance, Participating Margin Balance and CM Funded Contribution Amount and must be substituted with other eligible Collateral in order to meet a Clearing Member's Margin requirement and/or Rates and FX Liability. Assets previously posted to OTC Clear as Collateral but which no longer qualify as eligible Collateral will remain in each Clearing Member's relevant Collateral Account until they are withdrawn.

7.3 Non-cash Collateral

OTC Clear currently accepts non-cash Collateral from Clearing Members only for the purposes of satisfying Margin (except Participating Margin) requirements. OTC Clear currently does not accept non-cash Collateral for the purpose of satisfying a Clearing Member's Rates and FX Liability. Pursuant to Clearing Rule 1213, non-cash Collateral delivered by a Clearing Member to satisfy its Margin requirements will be transferred by way of security interest.

A Clearing Member who intends to post non-cash Collateral for the purposes of satisfying its Margin (except Participating Margin) requirements must:

- (i) execute a valid Deed of Charge in OTC Clear's standard form^{*}; and
- (ii) complete all perfection requirements in all relevant jurisdictions to the satisfaction of OTC Clear.

OTC Clear only accepts non-cash Collateral delivered to it at its account at the relevant Custodian specified for the relevant type of eligible non-cash Collateral.

OTC Clear will not accept a Clearing Member's non-cash Collateral if the documents required by OTC Clear have not been duly executed and all necessary perfection requirements in all relevant jurisdictions have not been completed within the necessary timeframe. Non-cash Collateral credited to a Clearing Member's Collateral Account will not be allowed to be used except as provided for under the Clearing Rules or these Clearing Procedures, or transferred or withdrawn by the Clearing Member unless with the express permission of OTC Clear.

^{*} The standard form Deed of Charge is available from OTC Clear upon request.

7.4A Collateral Concentration Limit for Participating Margin

OTC Clear may impose a limit to restrict the maximum amount of cash in each Eligible Inter-CCP Currency that may be delivered by a Clearing Member for the purposes of satisfying its Participating Margin requirement.

7.5 Collateral Valuation

7.5.1 Collateral Haircuts

When determining whether each Clearing Member's Margin Balance and Participating Margin Balance and Rates and FX Contribution are sufficient to cover its Margin requirement and its Rates and FX Liability, respectively, OTC Clear will value the assets in such Clearing Member's Collateral Accounts and GF Account at their market value less any applicable valuation discount or haircut stipulated by OTC Clear ("**Collateral Haircut**"). OTC Clear publishes the relevant Collateral Haircut for each asset type on the HKEX website and updates it from time to time.

The Collateral Haircut applicable to each type of asset will be determined by OTC Clear based on the calibration result and wrong-way risk back testing referred to in section 7.5.2, and subject to change from time to time pursuant to Clearing Rule 1214. For the avoidance of doubt, Collateral Haircut may apply on both cash and non-cash Collateral, but does not apply for the purpose of determining the value of any Collateral to be redelivered to Clearing Members pursuant to these Clearing Rules. In respect of any Collateral, OTC Clear will review the applicable Collateral Haircut on a monthly basis and will notify Clearing Members of any change of in Collateral Haircut.

7.5.3 Valuation

All Collateral will be valued or marked-to-market at least once a day using current market data and quotes, and any such valuation will take into account the application of Collateral Haircut referred to in section 7.5.1. At any given time:

- (i) any cash Collateral denominated in an Eligible Currency or Eligible Inter-CCP Currency other than the Base Currency will be valued at the Base Currency equivalent at such rate prevailing at the time of the conversion as OTC Clear shall reasonably select;
- (ii) any non-cash Collateral will be valued by OTC Clear by reference to the latest market prices available for such non-cash Collateral obtained from external market sources. Once OTC Clear is in receipt of the latest market prices for the non-cash Collateral, it will generate the mid or mean price for the purpose of valuing such non-cash Collateral. On any given day, if the latest market prices for any non-cash Collateral is not available from the external market sources, OTC Clear will determine the valuation of any such non-cash Collateral based on, among others, the following methodologies:
 - (a) the last available traded price of the relevant asset; and/or
 - (b) the price performance of proxy instruments issued by the same issuer or its affiliates for the relevant asset; and
- (iii) in respect of any non-cash Collateral provided by a Clearing Member to OTC Clear as its Initial Margin or Additional Margin, subsequent to liquidation of any such non-cash Collateral during a Default Management Process, such non-cash Collateral will be given a value equal

to the value obtained by OTC Clear during the liquidation process and attached to the Total Available Resources relating to such Default Management Process.

Pursuant to section 4.5.2 of these Clearing Procedures, a Clearing Member may be required to transfer additional Collateral to OTC Clear if the Margin Balance or Participating Margin Balance or the Rates and FX Contribution Balance, as applicable, decreases due to either market movement affecting the value of such Collateral or change in the applicable Collateral Haircut. OTC Clear may also require Clearing Members to post additional Collateral types due to wrong-way risk concerns.

7.6 Treatment of Collateral

7.6.1 Cash Collateral

7.6.1.1 Margin

OTC Clear may invest with a conservative policy in respect of any Initial Margin, Routine Intra-day Variation Margin, Ad Hoc Intra-day Variation Margin, Additional Margin, or Participating Margin delivered in the form of cash by Clearing Members. OTC Clear may utilise some or all the cash Collateral transferred outright to it as Participating Margin to satisfy its obligations to post Inter-CCP OTCC Margin Amount to the Special Clearing House Participant.

OTC Clear will, on a monthly basis, pay a return calculated on a daily basis to Clearing Members in respect of any Initial Margin, Routine Intra-day Variation Margin, Ad Hoc Intra-day Variation Margin or Additional Margin delivered in the form of cash and comprising the Margin Balance as at the end of each OTC Clear Clearing Day at a prevailing bank savings rate*.

OTC Clear will, on a quarterly basis, pay a return calculated on a daily basis to Clearing Members in respect of Participating Margin delivered in the form of cash and comprising the Participating Margin Balance as at each Northbound Clearing Day at a rate determined by OTC Clear from time to time. OTC Clear reserves the right to deduct any administrative costs from any interest to be paid.

For the avoidance of doubt, in the event that the average of such rates in respect of a particular Eligible Currency or Eligible Inter-CCP Currency is a negative rate, Clearing Members shall be required to pay to OTC Clear an amount equal to the absolute value of such rate multiplied by the portion of their Margin Balance or Participating Margin Balance that comprises cash Collateral in such Eligible Currency or Eligible Inter-CCP Currency. Any loss arising from the investment activities is for OTC Clear. The obligation of OTC Clear to redeliver Margin in cash will not be affected by the investment performance.

* For the purposes of 7.6.1.1, prevailing bank savings rate is the average prevailing savings rate of the three note issuing banks. The prevailing savings rate of each note issuing bank will be determined by OTC Clear with reference to the savings rates published or the savings rates notified to depositors via other means by such note issuing bank as well as any costs or charges imposed by such note issuing bank with respect to the relevant Eligible Currency.

7.6.2 Non-Cash Collateral[†]

Non-cash Collateral delivered to OTC Clear by a Clearing Member for purposes of satisfying its Margin requirements except Participating Margin will be transferred to OTC Clear by way of security interest with no right of rehypothecation pursuant to Clearing Rule 1213.

Each Clearing Member will bear the risk for any loss and gain on the value of the non-cash Collateral, and pursuant to Clearing Rule 1006, OTC Clear will distribute an amount representing any income it has received in respect of any non-cash Collateral, taking into account the deduction required to reflect any accommodation charges, administration costs or commitment fees for credit lines incurred by OTC Clear in respect of such non-cash Collateral. Each of such fees will be set out in Appendix I to the Clearing Procedures.

[†] OTC Clear currently accepts non-cash Collateral from Clearing Members only for the purposes of satisfying Margin requirements except Participating Margin requirements. OTC Clear currently does not accept non-cash Collateral for the purpose of satisfying a Clearing Member's Participating Margin requirements and Rates and FX Liability.

Chapter 8

Default Management

8.2 Member Obligations

Each Clearing Member has provided an undertaking to discharge its obligations in participating in the Default Management Process pursuant to Clearing Rule 1609.

Non-Defaulting Clearing Members shall provide market access for OTC Clear to execute Hedging pursuant to Clearing Rule 1801 and section 8.5. Each Non-Defaulting Clearing Member shall support the Hedging or risk neutralization process by promptly providing the Default Management Group with competitive pricing for hedging trades upon request. OTC Clear will consult with the Default Management Group in determining the range of competitive pricing for a Hedging transaction. If Non-Defaulting Clearing Members who have executed Hedging transactions with OTC Clear subsequently enter into other swap transactions to further hedge or offload their risk exposure created by such Hedging transactions, such Non-Defaulting Clearing Members shall disclose the terms of such swap transactions to OTC Clear.

If a DMG Delegate is no longer an employee or a director of the Clearing Member that nominates the DMG Delegate or the Clearing Member becomes aware that its DMG Delegate's employment or directorship will be terminated, such Clearing Member shall notify OTC Clear in writing as soon as practicable and such DMG Delegate will be removed from the Default Management Group. Such Clearing Member shall then nominate another employee or director to be a DMG Delegate.

8.6 Auction

8.6.1 Auction Protocol

The entire Auction process may take a number of days, but is expected to be completed as soon as reasonably practicable. Auction Portfolios may be auctioned at different times. Each Auction Portfolio shall be subject to its own Auction.

In respect of each Auction, DMP Information relating to such Auction will be provided to each Non-Defaulting Clearing Member participating in such Auction and the Special Clearing House Participant for dissemination to its clearing participants who have voluntarily agreed to participate in such Auction. The information provided will allow the Non-Defaulting Clearing Members and clearing participants of the Special Clearing House Participant to assess the risk in the Auction Portfolio and value the same.

8.6.3 Bidding Process

8.6.3.1 Bids

In respect of each Auction, once the timeframe for submitting Bids as notified by OTC Clear to Bidders has drawn to a close, no further Bids will be accepted. OTC Clear will examine all Bids submitted as follows:

- (i) the highest Bid received by OTC Clear is expected to be the Successful Bid of the Auction, provided that OTC Clear will not accept a Bid if accepting such Bid can potentially, without limitation, (a) cause OTC Clear to breach any legal or regulatory requirement applicable to

- it, (b) lead to legal action or proceedings to be taken against OTC Clear or (c) be disadvantageous or have a material adverse effect on OTC Clear; and
- (ii) in the event that the two (or more) highest Bids received by OTC Clear are of exactly the same value, the relevant Bidders will be invited to submit revised Bids. If no revised Bids have been received by OTC Clear within 10 minutes following the invitation of Bid re-submission, the relevant Bidder who submitted its original Bid first is expected to be the Successful Bidder.

Once the Successful Bid has been confirmed, OTC Clear will verbally notify the Successful Bidder or the Special Clearing House Participant (in case where the Successful Bidder is a PRC Bidder), followed by a written confirmation of the same.

In respect of each Auction, details of the Bids will be kept confidential so that a Bidder will not have knowledge of the Bid prices submitted by other Bidders.

For the avoidance of doubt, OTC Clear shall not be liable for any damages against it if a Bid fails to reach OTC Clear due to operational, technological or any other reasons.

8.6.3.3 Registration of Auction Portfolios (non-PRC Bidders)

Upon completion of a successful Auction, OTC Clear will register the relevant Auction Contracts to the Successful Bidder in accordance with Clearing Rule 1921. OTC Clear will liaise with both the relevant Approved Trade Registration System and the relevant Clearing Member to ensure the records relating to all Auction Contract(s) are updated on the Approved Trade Registration System. This update will automatically enable the recalculation of the Successful Bidder's Margin requirements and / or its CM Funded Contribution Amount, reflecting the impact of the acquisition of the Auction Contract(s) by the Successful Bidder.

OTC Clear will liaise with a Successful Bidder for booking relevant Auction Contract(s) into its systems so that the systems and records kept by such Successful Bidder will be aligned with those of OTC Clear.

The timing of transfer of any Auction Payment or Auction Receivable is set out in Clearing Rules 1922 and 1923, respectively.

8.6.3.4 Registration of Auction Portfolios (PRC Bidders)

If the Successful Bidder is a PRC Bidder, the provisions set out in Rule 21M04 will apply.

The timing of transfer of any Auction Payment or Auction Receivable is set out in Clearing Rule 21M07.

8.9 Post Auction Communication

Upon disposal of all Auction Portfolios by way of Auction or by the declaration of a Contract Termination Event following the occurrence of a DMP Event with respect to the Defaulting Clearing Member or the Defaulting Special Clearing House Participant, OTC Clear will announce the completion of the Default Management Process by notifying the Clearing Members and will provide a summary of the steps taken during the Default Management Process, such summary will be published on the HKEX website, a copy of which will also be provided to the SFC.

Chapter 9

Special Events / Business Continuity

9.5 Special Arrangement of Voluntary Deposit of Cash Collateral, Porting of Excess Margin and Withdrawal of Excess Margin, Excess Participating Margin and Rates and FX Contribution Excess under Adverse Weather Conditions

This section 9.5 includes the arrangement surrounding depositing, porting or withdrawing cash Collateral on a voluntary basis as adopted by OTC Clear when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced.

Chapter 10

Determination of Close-out Value

10.1 Close-out Value

The close-out value for each Contract will be determined in the Base Currency, and shall be the difference between the aggregate net Variation Margin (but excluding Routine Intra-day Variation Margin) settled by the relevant Clearing Member up to and including the last End-of-Day Settlement Process immediately preceding the Final Settlement Cycle Determination Date in respect of such Contract and the Close-out Variation Margin relating to such Contract, where:

“Close-out Variation Margin” means, with respect to a Contract, the net present value relating to such Contract as determined by OTC Clear using calculation methodology similar to that used to determine Variation Margin in the End-of-Day Settlement Process, except that, (a) for Contracts other than Standard Northbound Rates Derivatives Contracts, the relevant calculations will be determined on the basis of the curve(s) built and pricing input(s) and instrument quote(s) obtained as at 11:00 hours Hong Kong time, and (b) for Standard Northbound Rates Derivatives Contracts, the relevant calculations will be determined in accordance with calculation methodology published by Special Clearing House Participant, referencing curve(s) built and pricing input(s) and instrument quote(s) obtained as at 16:00 hours Hong Kong time, in each case, on:

- (i) with respect to a Contract being terminated as a result of the occurrence of Rates and FX Clearing Termination Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.2 of these Clearing Procedures;
- (ii) with respect to a Contract (except a Standard Northbound Rates Derivatives Contract) which is the subject of Emergency Close-Out, or which is being terminated during the OTC Clear Failure to Pay Grace Period or as a result of the occurrence of an OTC Clear Failure to Pay Event or OTC Clear Insolvency Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.3.1 of these Clearing Procedures;
- (iii) with respect to a Standard Northbound Rates Derivatives Contract which is the subject of Emergency Close-Out, or which is being terminated during the OTC Clear Failure to Pay Grace Period or as a result of the occurrence of an OTC Clear Failure to Pay Event or as a result of the occurrence of an OTC Clear Failure to Pay SHCH Event or OTC Clear Insolvency Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.3.2 of these Clearing Procedures;
- (iv) with respect to a Contract being terminated as a result of the occurrence of a Product Suspension Event, the Final Settlement Cycle Determination Date for such Product Suspension Event pursuant to section 10.4 of these Clearing Procedures;
- (v) with respect to a Contract (except a Standard Northbound Rates Derivatives Contract) being terminated as a result of a Contract Termination Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.5.1 of these Clearing Procedures; and

- (vi) with respect to a Standard Northbound Rates Derivatives Contract being terminated as a result of a Contract Termination Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.5.2 of these Clearing Procedures.

The Close-out Variation Margin amount determined in any of the situations described in sub-paragraph (i), (ii), (iv) or (v) above will not be adjusted by PAI and in sub-paragraph (iii) or (vi) above will be adjusted by PAI.

10.3 Emergency Close-Out or OTC Clear Default

10.3.1 Upon the designation of an Early Termination Date pursuant to Clearing Rule 210, 1320(1), 1321(1) or 1322, OTC Clear will determine the Close-out Variation Margin for all applicable Contracts except Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, where the **“Final Settlement Cycle Determination Date”** shall fall on:

- (i) if an Early Termination Date is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if an Early Termination Date is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Early Termination Date is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all applicable Contracts except Standard Northbound Rates Derivatives Contracts by 09:00 hours Hong Kong time on the relevant Final Settlement Cycle Determination Date.

10.3.2 Upon the designation of an Early Termination Date pursuant to Clearing Rule 210, 21J14, 1320(1), 1321(1) or 1322, OTC Clear will determine the Close-out Variation Margin for all applicable Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, where the **“Final Settlement Cycle Determination Date”** shall fall on the Participantship Termination Date pursuant to Clearing Rule 21E05 or the Early Termination Date pursuant to Clearing Rule 21J14.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all applicable Standard Northbound Rates Derivatives Contracts on the relevant Final Settlement Cycle Determination Date.

10.5 Contract Termination Event and Special Clearing House Participant Default

10.5.1 In case of a Contract Termination Event pursuant to Clearing Rule 21J04, 1918A or 1918AA, OTC Clear will determine the Close-out Variation Margin for all Identified Contracts except Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, and for such purpose the **“Final Settlement Cycle Determination Date”** shall fall on:

- (i) if a Contract Termination Event is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if a Contract Termination Event is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Contract Termination Event is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Identified Contracts except Standard Northbound Rates Derivatives Contracts by 09:00 hours Hong Kong time on the relevant Final Settlement Cycle Determination Date.

- 10.5.2** In case of a Contract Termination Event pursuant to Clearing Rule 21J04, 1918A or 1918AA, OTC Clear will determine the Close-out Variation Margin for all Identified Contracts which are Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, where the “Final Settlement Cycle Determination Date” shall fall on the Early Termination Date pursuant to Clearing Rule 21J03 or the Final Settlement Cycle Determination Date shall be determined as agreed between OTC Clear and the Special Clearing House Participant pursuant to Clearing Rule 21M05.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Identified Contracts which are Standard Northbound Rates Derivatives Contracts on the relevant Final Settlement Cycle Determination Date.

Chapter 11

CLEARING PROCEDURES RELATING TO THE SPECIAL CLEARING HOUSE PARTICIPANT

Northbound Swaps Clearing Services

11.1 Obligations of the Special Clearing House Participant

All obligations of the Special Clearing House Participant under these Clearing Procedures have been specified in, or otherwise incorporated by reference into Part VA of the Clearing Rules. For the avoidance of doubt, the Special Clearing House Participant shall have no other obligations under these Clearing Procedures other than as specified or incorporated in Part VA of the Clearing Rules.

11.2 Operation of the Clearing Link Services

The specified Approved Trade Registration System for Original Northbound Transactions (CFETS) will provide clearing data, settlement data and risk data of Original Northbound Transactions to OTC Clear and the Special Clearing House Participant from time to time between 09:00 hours Hong Kong time and 17:30 hours Hong Kong time on each Northbound Clearing Day.

Upon receipt of such data from CFETS, OTC Clear will, unless notified otherwise, between 09:00 hours Hong Kong time and 17:30 hours Hong Kong time on each Northbound Clearing Day:

- (i) if the Original Northbound Transaction is submitted by a Client, confirm that the relevant Clearing Member has agreed to offer Client Clearing Services for such transaction to such Client;
- (ii) check that the Original Northbound Transaction satisfies the product eligibility requirements set out in section 3.4.5 of these Clearing Procedures;
- (iii) run the Margin Process described in section 4.6 of these Clearing Procedures; and
- (iv) (if no SHCH Event of Default has occurred, or in OTC Clear's reasonable opinion is likely to occur), check that the Special Clearing House Participant would be within its single-day CCP risk exposure limit and total risk exposure limit upon registration of that Original Northbound Transaction in its House Position Account.

OTC Clear will communicate the result of such checks to the Special Clearing House Participant promptly on the same Northbound Clearing Day.

The Special Clearing House Participant shall then perform its own eligibility requirements pursuant to the SHCH Clearing Guidelines in respect of Original Northbound Transactions between 09:00 hours Hong Kong time and 17:30 hours Hong Kong time on each Northbound Clearing Day.

The Special Clearing House Participant shall consolidate and communicate the final clearing result to CFETS and OTC Clear promptly and in any case no later than 18:00 hours Hong Kong time on that Northbound Clearing Day.

If the Original Northbound Transaction has been accepted for clearing by both OTC Clear and the Special Clearing House Participant, such transaction will be registered between OTC Clear and the Special Clearing House Participant as an Inter-CCP Rates Derivatives Contract at the registration time specified by the Special Clearing House in its clearing report on that Northbound Clearing Day.

11.3 De-registration of Inter-CCP Rates Derivatives Contract

OTC Clear will not accept any de-registration request from the Special Clearing House Participant for any Inter-CCP Rates Derivatives Contract.

However, if a de-registration request in respect of a pair of Standard Northbound Rates Derivatives Contracts is approved and processed by OTC Clear as described in section 3.6.2 of the Clearing Procedures, the relevant Inter-CCP Rates Derivatives Contract with equal but opposite terms to (and which have been created to correspond to) Standard Northbound Rates Derivatives Contract will also be de-registered. Upon completing the de-registration process for the relevant Standard Northbound Rates Derivatives Contracts and the relevant Inter-CCP Rates Derivatives Contracts, OTC Clear will notify the Special Clearing House Participant and the relevant Approved Trade Registration System.

For the avoidance of doubt, no de-registration fee will be charged to the Special Clearing House Participant for the de-registration of any Inter-CCP Rates Derivatives Contracts.

11.4 Identifier

The Special Clearing House Participant will be identified in OTC Clear's Rates and FX Clearing System by way of a unique identifier assigned to it and mapped to its House Position Account and House Collateral Account.

11.5 Settlement

A. in respect of Inter-CCP Rates Derivatives Contracts

Payments in respect of Inter-CCP Rates Derivatives Contracts shall be calculated on each Northbound Clearing Day by reference to curves constructed by the Special Clearing House Participant based on the market data obtained at or around 16:00 hours Hong Kong time on such Northbound Clearing Day.

Any such payment to be made between OTC Clear and the Special Clearing House Participant on a Northbound Clearing Day shall be settled on that Northbound Clearing Day:

- (i) no later than 13:30 hours Hong Kong time for any payment to be made by OTC Clear to the Special Clearing House Participant; and
- (ii) no later than 15:30 hours Hong Kong time for any payment to be made by the Special Clearing House Participant to OTC Clear.

B. Settlement in respect of Inter-CCP Margin Amount

Payments in Eligible Inter-CCP Currency from OTCC to the Special Clearing House Participant for the purpose of satisfying the Inter-CCP OTCC Margin Amount in respect of each Northbound Clearing Day shall be settled by no later than 16:00 hours Hong Kong time on the immediately

following Northbound Clearing Day. Payments in Eligible Inter-CCP Currency from the Special Clearing House Participant to OTC Clear for the purpose of satisfying the Inter-CCP SHCH Margin Amount in respect of each Northbound Clearing Day shall be settled by no later than 16:00 hours Hong Kong time on the immediately following Northbound Clearing Day.

Margin and Valuation

11.6 Inter-CCP Margin Amount

The Inter-CCP Margin Amount shall be calculated in respect of each Northbound Clearing Day, which shall be the higher of the values calculated by OTC Clear and the Special Clearing House Participant respectively after 16:00 hours China Standard Time on such Northbound Clearing Day.

OTCC shall perform its calculation of the Inter-CCP Margin Amount in accordance with the methodology set out in section 11.6.1 below. The Special Clearing House Participant shall perform its calculation of the Inter-CCP Margin Amount in accordance with the methodology set out in the SHCH Clearing Rules, the SHCH Clearing Guidelines and the Clearing Link Agreement.

11.6.1 OTC Clear's calculation of Inter-CCP Margin Amount

OTC Clear shall calculate the Inter-CCP Margin Amount in respect of a Northbound Clearing Day in accordance with the below:

- (i) OTC Clear's potential future exposure in normal market conditions in respect of all Inter-CCP Rates Derivatives Contracts registered to the Special Clearing House Participant's House Position Account using its own internally built value-at-risk model based on simulation of 5 years historical data on a rolling basis using: (x) in respect of Inter-CCP Margin Amount calculated on such Northbound Clearing Day which is also an OTC Clear Clearing Day, the prevailing market prices at or around 1600hrs Hong Kong time on such Northbound Clearing Day; or (y) in respect of Inter-CCP Margin Amount calculated on a Northbound Clearing Day which is not an OTC Clear Clearing Day, the prevailing market prices at or around 1600hrs Hong Kong time on the immediately preceding OTC Clear Clearing Day, in each case, with a single-tailed confidence interval of at least 99%, assuming over a close-out period of 5 OTC Clear Clearing Days (the "**IM Component**"), provided that in the event that the Expected Uncollateralized Loss of the Special Clearing House Participant on any two consecutive OTC Clear Clearing Days exceeds the Expected Uncollateralized Loss of the Special Clearing House Participant determined in respect of the immediately preceding calculation period by 10% or more and the value of the Expected Uncollateralized Loss of the Special Clearing House Participant is more than 50% of the value of the Rates and FX Guarantee Fund, the absolute value of such exceedance will be added to the IM Component (the "**IM Add-on**");

plus

- (ii) A buffer of CNY200 million or such other amount which has been mutually agreed between the Special Clearing House Participant and OTC Clear;

plus

- (iii) The relative pro-rata percentage share attributed to the Special Clearing House Participant of a hypothetical guarantee fund which is based on the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant (the “**GF Component**”).

11.6.2 GF Component

The GF Component shall be calculated on the first or second OTC Clear Business Day of a calendar month and applied in respect of each of the remaining Northbound Clearing Days in that calendar month, unless the Rates and FX Guarantee Fund is subject to ad hoc resizing, in which case, the GF Component will be re-calculated on another OTC Clear Clearing Day within that calendar month, on the date that the Expected Uncollateralized Loss of any Clearing Member or the Expected Uncollateralized Loss of the Special Clearing House Participant increases by 20% or more from the Max EUL determined in respect of the immediately preceding calculation period or 20 OTC Clear Business Days after the occurrence of a DMP Event. The GF Component re-calculated on such OTC Clear Clearing Day will be applied for each of the remaining Northbound Clearing Days in that month.

The GF Component shall be an amount calculated using the following formula:

Relative Pro-rata Percentage Share of Special Clearing House Participant x Max EUL x 110%

Below is an illustrative example to show how the GF Component determined for the Special Clearing House Participant on OTC Clear Clearing Day “X”:

In the illustrated example, the GF Component is 67.1 (being 500 x 12.20% X 110%) on OTC Clear Clearing Day “X”.

Clearing Member / Special Clearing House Participant	Position Account STV ^(a)	Position Account Stress Add-on ^(b)	Margin Balance ^(c)	Expected Uncollateralized Loss ^(d)	Relative pro-rata percentage share ^(e)	GF Component
Clearing Member A	1,000	80	630	450	21.95%	
Clearing Member B	300	20	120	200	9.76%	
Clearing Member C	500	50	300	250	12.20%	
Clearing Member D	800	100	400	500	24.39%	

Clearing Member / Special Clearing House Participant	Position Account STV ^(a)	Position Account Stress Add-on ^(b)	Margin Balance ^(c)	Expected Uncollateralized Loss ^(d)	Relative pro-rata percentage share ^(e)	GF Component
Clearing Member E	600	60	460	200	9.76%	
Clearing Member F	400	20	220	200	9.76%	
Special Clearing House Participant	420	30	200	250	12.20%	67.1
Total				2,050		

(a) Position Account STV

In respect of each Clearing Member and the Special Clearing House Participant and an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

- (i) the net present value of each Position Account of each Clearing Member and the Special Clearing House Participant (the “**Base NPV**”); and
- (ii) the net present value of each Position Account of each Clearing Member and the Special Clearing House Participant under each stress scenario prescribed by the stress test model prescribed by OTC Clear as described further in section 6.3. The stress test value derived for 6.3 (each a “**Stress NPV**”).

In respect of each Position Account of a Clearing Member and the Special Clearing House Participant on an OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress NPV against the Base NPV) for that Position Account on that day is referred to as the “**Position Account STV**”.

(b) Position Account Stress Add-on

In respect of each Clearing Member or Special Clearing House Participant and an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

- (i) the net present value of each Position Account and Collateral Account of each Clearing Member and the Special Clearing House Participant (the “**Base XNPV**”); and
- (ii) the net present value of each Position Account and Collateral Account of each Clearing Member and the Special Clearing House Participant, under each stress

scenario prescribed by the stress test model prescribed by OTC Clear as described further in section 6.3. The stress test value derived for section 6.3 (the “**Stress XNPV**”);

in respect of a Clearing Member, its Collateral Account means the Margin Balance excluding the value of any Excess Margin;

in respect of the Special Clearing House Participant, its Collateral Account means the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH Margin and any excess collateral posted by OTC Clear.

In respect of each Position Account and Collateral Account on an OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress XNPV against the Base XNPV) for that Position Account on that day is referred to as the “**Position and Collateral Account STV**”.

Unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, Excess Margin shall be excluded in the calculation of Stress XNPV and Position and Collateral Account STV. For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/Porting Notice or a Non-cash Collateral Withdrawal/Porting Notice, the amount set out in such notice shall be excluded from such calculation from the date of such notice.

In respect of each Position Account on an OTC Clear Clearing Day, the increase in the largest net present value (determined by comparing Position and Collateral Account STV against the Position Account STV) for that Position Account after taking Collateral Account into account on that day is referred to as the “**Collateral Stress Add-on**”.

In addition to the Collateral Stress Add-on, OTC Clear may apply other stress add-ons, including but not limited to those relating to the risk parameters under Clearing Procedures 4.2.3, 4.5.2(viii) and 4.5.3, at the End of Day Cut Off Time on each OTC Clear Clearing Day. The aggregate of any Collateral Stress Add-on and such other stress add-ons in respect of each Position Account shall be regarded as the “**Position Account Stress Add-on**”.

(c) Margin Balance (for the purpose of GF Component calculation)

With respect to a Clearing Member, OTC Clear shall exclude from the Margin Balance any additional Collateral provided under Clearing Rule 1510 and any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit and it is assumed that there is no Excess Margin with respect to the Clearing Member's House Position Account.

With respect to the Special Clearing House Participant, such balance refers to the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-

CCP SHCH Margin, any excess collateral posted by OTC Clear, any IM Add-on and the GF Component calculated in respect of the previous calculation period.

(d) Expected Uncollateralized Loss

On each OTC Clear Clearing Day, OTC Clear will determine the Position Account EUL for each Position Account of each Clearing Member and the Position Account EUL for the House Position Account of the Special Clearing House Participant, where:

“Position Account EUL” means, with respect to:

- (i) a Position Account of a Clearing Member and an OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included¹, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) recorded to the Collateral Account relating to such Position Account, each determined as of the End-of-Day Cut Off Time on such OTC Clear Clearing Day; or
- (ii) the House Position Account of the Special Clearing House Participant and an OTC Clear Clearing Day equals to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH Margin, any excess collateral posted by OTC Clear, IM Add-on and the GF Component calculated in respect of the previous calculation period), each determined as of the End-of-Day Cut Off Time on such OTC Clear Clearing Day.

(e) Relative pro-rata percentage share

The **“relative pro-rata percentage share”** means:

- (i) with respect to a Clearing Member and an OTC Clear Clearing Day, the Expected Uncollateralized Loss of such Clearing Member on such day divided by the aggregate of the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant on such day; and
- (ii) with respect to the Special Clearing House Participant and an OTC Clear Clearing Day, the Expected Uncollateralized Loss of the Special Clearing House Participant

¹ For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/ Porting Notice or a Non-cash Collateral Withdrawal/ Porting Notice, the amount set out in such notice shall be excluded from the Margin Balance from the date of such notice.

on such day divided by the aggregate of the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant on such day.

In the illustrative example, since the aggregate of the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant is 2050, the relative pro-rata percentage share of the Special Clearing House Participant will be a percentage equal to the Special Clearing House Participant's Expected Uncollateralized Loss divided by the aggregate Expected Uncollateralized Loss of 2,050 – i.e. $250/2050 = 12.20\%$ on OTC Clear Clearing Day "X".

For avoidance of doubt, the relative pro-rata percentage share for the other Clearing Members is illustrated here for reference only in respect of a hypothetical Rates and FX Guarantee Fund where the Special Clearing House Participant would be making Rates and FX Contributions. Section 6 of these Clearing Procedures shall apply in determining the relative pro-rata percentage share for each Clearing Member and the amount of their Rates and FX Liability.

(f) **Max EUL**

"Max EUL" means, on any given OTC Clear Clearing Day, an amount equal to the greater of:

- (i) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members and the Special Clearing House Participant under the same stress scenario within the same period the GF Component is calculated; and
- (ii) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members under the same stress scenario within the same period the GF Component is calculated, with the following modifications:
 - (a) the Expected Uncollateralized Loss amount of all Clearing Members who are Affiliates of one another shall be aggregated with the Expected Uncollateralized Loss amount of the largest Affiliate; and
 - (b) the selection of the largest Expected Uncollateralized Loss amount is made on a revised pool excluding the Expected Uncollateralized Loss amounts determined in respect of the smaller Affiliated Clearing Members.

In the illustrated example, the Max EUL is 500 on OTC Clear Clearing Day "X".

11.7 Variation Margin

Variation Margin covers the amount that is required to settle the daily diminution in the net present value (if any) of the Inter-CCP Rates Derivatives Contracts in the Special Clearing House Participant's House Position Account. Collection of Variation Margin helps to ensure that the risk exposure assumed by OTC Clear is constantly monitored and that OTC Clear remains risk neutral.

Any payment of Variation Margin on any Northbound Clearing Day (i) to be made by OTC Clear to the Special Clearing House Participant shall be made by 13:30 hrs China Standard Time and (ii) to be made by the Special Clearing House Participant to OTC Clear shall be made by 15:30 hrs China Standard Time, on such Northbound Clearing Day.

11.8 Product specific terms and calculation methodologies

The product specific terms of Inter-CCP Rates Derivatives Contracts, including the applicable calculation methodologies, are set out in the SHCH Clearing Rules and SHCH Clearing Guidelines.

11.8.1 Calculation and Valuation Process

The net present value and market price movements of each Inter-CCP Rates Derivatives Contract shall be calculated using zero coupon curves constructed by the Special Clearing House Participant.

11.8.2 Price Alignment Interest

Variation Margin will be adjusted by application of price alignment interest ("PAI") calculated by the Special Clearing House Participant. Without a PAI, the pricing of a Contract registered with OTC Clear would be distorted from that of equivalent transactions which are not registered with OTC Clear. PAI for an Inter-CCP Rates Derivatives Contract is intended to settle the internal rate of return on the cumulative Variation Margin payments transferred in respect of each Northbound Clearing Day.

Collateral

11.9 Cash Collateral

Variation Margin requirements must be satisfied in cash in the Contractual Currency.

Inter-CCP SHCH Margin Amount must be satisfied in cash in any Eligible Inter-CCP Currency. The Special Clearing House Participant must:

- (i) have entered into a valid Inter-CCP SHCH Charge Agreement in the terms as appended to Part VA of the Clearing Rules; and
- (ii) complete all perfection requirements in all relevant jurisdictions to the satisfaction of OTC Clear.

Any interest on the Collateral in the Hong Kong Collateral Account will be credited by the relevant custodian bank to the Hong Kong Collateral Account at the then prevailing interest rate agreed between OTC Clear, the Special Clearing House Participant and such custodian bank. If OTC Clear is charged negative interest in respect of the Collateral in the Hong Kong Collateral Account (including any income on such Collateral), OTC Clear shall be entitled to demand reimbursement of such amounts from the Special Clearing House Participant.

11.10 Non-cash Collateral

Non-cash Collateral will not be accepted from the Special Clearing House Participant.

11.11 Collateral Valuation

11.11.1 Collateral Haircuts

When determining whether the Special Clearing House Participant's Margin Balance is sufficient to cover its Inter-CCP SHCH Margin Amount, OTC Clear will value the cash Collateral in the Hong Kong Collateral Account and apply the valuation discount or haircut stipulated by OTC Clear. OTC Clear may apply and/or modify any valuation procedures or haircuts on each type of Eligible Inter-CCP Currency in accordance with its risk management rules and policies and notified to the Special Clearing House Participant from time to time. For the avoidance of doubt, where the currency of the cash Collateral deposited in the Hong Kong Collateral Account is the same as the denomination currency of the Inter-CCP SHCH Margin Amount, the haircut percentage of such currency shall be zero.

11.11.2 Valuation

All Collateral will be valued or marked-to-market at least once a day using current market data and quotes, and any such valuation will take into account the application of collateral haircuts referred to in section 7.3.1 of this Chapter. At any given time, any cash Collateral denominated in an Eligible Inter-CCP Currency other than CNY (offshore) will be valued at the CNY (offshore) equivalent at the prevailing rate at the time of valuation as OTC Clear shall reasonably select.

The Special Clearing House Participant may be required to transfer additional cash Collateral to OTC Clear if the Margin Balance decreases due to change in the applicable collateral haircut.

Appendix I Fees Schedule

(i) Annual Fee, Registration Fee and Maintenance Fee (for Clearing Members engaged in House Business)

(e) Standard Northbound Rates Derivatives Contract

Tenor	Fee Rate	
	Registration Fee	Maintenance Fee
0 – 1 year	0.0001% of the notional amount of the Contract*.	0.000025% of the notional amount of the Contract, on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears.
>1 – 3 years	0.0003% of the notional amount of the Contract*.	
>3 – 5 years	0.0004% of the notional amount of the Contract*.	
>5 – 6 years	0.0006% of the notional amount of the Contract*.	
>6 – 7 years	0.0006% of the notional amount of the Contract*.	
>7 – 9 years	0.0008% of the notional amount of the Contract*.	
>9 – 10 years	0.0008% of the notional amount of the Contract*.	

(ii) Registration Fee and Maintenance Fee (for Clearing Members providing Client Clearing Services to their Clients)

(e) Standard Northbound Rates Derivatives Contract

Tenor	Fee Rate	
	Registration Fee	Maintenance Fee
0 – 1 year	0.0001% of the notional amount of the Contract*.	0.000025% of the notional amount of the Contract, on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears.
>1 – 3 years	0.0003% of the notional amount of the Contract*.	
>3 – 5 years	0.0004% of the notional amount of the Contract*.	
>5 – 6 years	0.0006% of the notional amount of the Contract*.	
>6 – 7 years	0.0006% of the notional amount of the Contract*.	
>7 – 9 years	0.0008% of the notional amount of the Contract*.	
>9 – 10 years	0.0008% of the notional amount of the Contract*.	

(x) Fee for each request for deposit, porting or withdrawal of non-cash Collateral

(a) Deposit: Charge at cost

(b) Porting: Charge at cost

(c) Withdrawal: Charge at cost

For the avoidance of doubt, no fees will be charged for the porting of non-cash Collateral held by a Defaulting Clearing Member to a Replacement Clearing Member upon the occurrence of a DMP Event.

Note:

Backloading applies when (a) the Trade Date of a Contract registered in the name of a Clearing Member precedes the commencement of the Membership of that particular Clearing Member; or (b) the Trade Date of an Original Transaction or Original Northbound Transaction submitted for registration as Contracts precedes the effective date of the amendment in the specific product eligibility requirements (as set out in section 3.4 of the Clearing Procedures) and such Original Transaction, but for such amendment, would have not been accepted for registration.

* If (a) the Trade Date of an Original Transaction or Original Northbound Transaction precedes the date on which such Original Transaction or Original Northbound Transaction is submitted to OTC Clear for registration by more than 1 OTC Clear Clearing Day and backloading does not apply; or (b) the aggregate notional amount of Contracts cleared by a Clearing Member exceeds an amount notified in a Clearing Notice to Clearing Members by OTC Clear, the relevant registration fee or such lesser amount as OTC Clear may from time to time agree with the Clearing Member will apply.