

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 purposes of: (i) enabling OTC Clear to accept bonds in the China Interbank Bond Market which are traded via Bond Connect issued by the Ministry of Finance of the People's Republic of China or a policy bank, as eligible non-cash collateral to cover initial margin requirements of northbound swap connect transactions, and (ii) housekeeping.

The amendments, as set out in Appendices I and II, will come into effect on Monday, 13 January 2025.

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](#)"

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Head of Legal

¹ Calls to and from the Hotline may be recorded. HKEX Privacy Notice is available [here](#).

OTC Clear Clearing Rules

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PART I GENERAL PROVISIONS

Chapter 1 Definitions and Interpretation

Definitions

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

“Bond Connect”	means the mutual market access mechanism between the China Interbank Bond Market and Hong Kong bond market infrastructures, which enables eligible investors outside of the PRC to directly trade bonds in the China Interbank Bond Market;
“Bond Connect Securities”	means bonds in the China Interbank Bond Market which are traded via Bond Connect;
“Clearing Link Agreement”	means the agreement dated May 15, 2023 between OTC Clear and the Special Clearing House Participant, as amended and/or supplemented from time to time;
“Client Bond Connect Securities”	means any Bond Connect Securities owned by a Client prior to being deposited with OTC Clear as Collateral pursuant to Clearing Rule 1214A in respect of Contracts recorded in a Client Clearing Category 1 Position Account;
“CNY (onshore)”	means the currency denomination in respect of an amount payable in Renminbi under a transaction that will be settled solely by transfer to a Renminbi bank account maintained in the PRC;
“Collateral Management Agreement”	means each Swap Connect Collateral Management Agreement dated May 15, 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;
“equities of redemption”	has the meaning given to it in the Deed of Charge in respect of the Client Collateral Account(s);
“House Bond Connect Securities”	means any Bond Connect Securities owned by a Clearing Member (other than Client Bond Connect Securities);
Policy Banks”	means any institution designated as a policy bank by the State Council of the PRC from time to time, including China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China as at the effective date of these Clearing Rules;

Chapter 2 General Provisions

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 acting as custodian, or OTC Clear's own banker, or any other 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 any Clearing Member or any other Person to use any programme or system for purposes of accessing the Rates and FX Clearing Services.

PART III CLEARING OPERATIONS

Chapter 8 Clearing by OTC Clear

Client Clearing

817. A Clearing Member providing Client Clearing Services to its Clients shall be liable to OTC Clear and be responsible for all its obligations as principal in respect of the Contracts and Client Accounts registered in its name. Each Clearing Member acknowledges that, save and except for the Client's right to receive (i) any Client Entitlement directly from OTC Clear under Clearing Rules 1309 or 1309A (in the case of a Clearing Member who is a Rule-Based Clearing Member) or pursuant to a Security Deed (in the case of a Clearing Member who is a Non Rule-Based Clearing Member) or (ii) amounts equal to (and in the same currency as) SSM Payment Amounts directly from OTC Clear (in the case of a Client which is a Sponsored Settlement Member of a sponsoring Clearing Member which is incorporated in England or France under the terms of a relevant SSM Tripartite Agreement which governs payment of those amounts), OTC Clear owes no obligation towards any Client or any other Person that is not a Clearing Member whatsoever in respect of the Contracts or any Client Accounts. It is the responsibility of the Clearing Member (and not OTC Clear) to ensure its own compliance with Applicable Laws relating to conduct of business, client money and segregation of client assets. Subject to the provisions of these Clearing Rules, Client Clearing Services may be provided by a Clearing Member to its Clients on whatever terms the Clearing Member decides should apply, provided that each Clearing Member must, prior to providing Client Clearing Services to a Client:

- (1) in the case of a Clearing Member who is a Non Rule-Based Clearing Member, enter into a Security Deed in favour of that Client which is legal, valid, binding and enforceable, in accordance with its terms, and provide written confirmation to OTC Clear that it has complied with Clearing Rule 818 in respect of that Security Deed;
- (2) provide written confirmation to OTC Clear showing that it has delivered the Client Clearing Services Notice to such Client, and has undertaken to do all such things as OTC Clear may from time to time reasonably require to ensure that such Client is informed of the nature, costs and risks of the Client Clearing Services (including each Client Clearing Category);
- (3) in the case of a Client that is to become a Sponsored Settlement Member of a sponsoring Clearing Member which is incorporated in England or France, such sponsoring Clearing Member must, prior to that Client becoming a Sponsored Settlement Member, enter into a legal, valid, binding and enforceable SSM Tripartite Agreement with that Client and OTC Clear; and
- (4) enter into a Client Clearing Agreement with that Client that incorporates provisions with the following effect:

- (a) in the case of a Clearing Member who is a Rule-Based Clearing Member, the Clearing Member confirms that the positions and Collateral held in the relevant Client Account(s) by the Clearing Member as well as any Client Entitlement calculated by OTC Clear in respect thereto each relate to the corresponding positions between the Client and the Clearing Member and that, pursuant to the power of OTC Clear to make rules under section 40(2A) of the SFO, following an Event of Default of the Clearing Member, in the case of a Non-Porting Client such Client Entitlement shall be returned by OTC Clear directly to that Client pursuant to Clearing Rules 1308A and 1309 and in the case of a Porting Client such Client Entitlement shall be returned by OTC Clear directly to that Client pursuant to Clearing Rules 1308B and 1309A;
- (b) in the case of a Clearing Member who is a Non Rule-Based Clearing Member, each of the Clearing Member and the Client confirms that the positions and Collateral held in the relevant Client Account(s) by the Clearing Member as well as any Client Entitlement calculated by OTC Clear in respect thereto each relate to the corresponding positions between the Client and the Clearing Member and, following an Event of Default of the Clearing Member, in the case of a Non-Porting Client such Client Entitlement shall be returned by OTC Clear to that Client pursuant to Clearing Rule 1309 and the terms of the Security Deed entered into by the Defaulting Clearing Member in favour of such Client and in the case of a Porting Client such Client Entitlement shall be returned by OTC Clear to that Client pursuant to Clearing Rule 1309A and the terms of the Security Deed entered into by the Defaulting Clearing Member in favour of such Client;
- (c) Corresponding Client Transactions shall be transacted pursuant to the terms of the Client Clearing Agreement and be segregated (contractually or otherwise) from any other transactions entered into between the Clearing Member and the Client;
- (d) upon the occurrence or designation of an Early Termination Date in respect of the Clearing Member following an Event of Default, any Corresponding Client Transaction with the Defaulting Clearing Member must either (i) be automatically terminated and re-established with, transferred or novated to a Replacement Clearing Member or (ii) the Client must have the right to terminate such transaction and re-establish, transfer or novate such transaction to a Replacement Clearing Member;
- (e) if a Corresponding Client Transaction is terminated following such Early Termination Date, the net replacement value of the Corresponding Client Transaction shall be equal to the value attributed by OTC Clear

to the Contract to which the Corresponding Client Transaction relates following such Early Termination Date;

- (f) any non-cash collateral in respect of Corresponding Client Transactions shall be provided by way of full title transfer from the Client to the Clearing Member, provided that any Client Bond Connect Securities shall be directly transferred from a Client Clearing Category 1 Client to OTC Clear in accordance with Clearing Rule 1214A, which such Client Bond Connect Securities shall be treated as having been transferred outright from such Client Clearing Category 1 Client to the Clearing Member and then delivered by the Clearing Member to OTC Clear;
- (g) that "two way payments" arise in the event of a termination of all Corresponding Client Transactions, the substantive effect of which is that either a Clearing Member or a Client will be entitled to receive payment under the relevant termination provisions if the net replacement value of all terminated Corresponding Client Transactions effected under the Client Clearing Agreement is in its favour;
- (h) an acknowledgement from the Client that the provision of Client Clearing Service by the Clearing Member to it will not give rise to any liability owed by OTC Clear to the Client (other than, in the case of a Client which is a Sponsored Settlement Member of a sponsoring Clearing Member which is incorporated in England or France, in respect of amounts payable by OTC Clear to that Sponsored Settlement Member as provided for in an SSM Tripartite Agreement with that Sponsored Settlement Member);
- (i) the Clearing Member shall have the right in the event of a Rates and FX Clearing Termination Event relating to OTC Clear, to terminate the Corresponding Client Transaction;
- (j) upon the request of a Transferee Clearing Member to OTC Clear to port to the Transferee Clearing Member a Client's portfolio of Contracts registered with the Transferor Clearing Member in the relevant Client Position Account in full pursuant to Clearing Rule 830 or in part pursuant to Clearing Rule 831 from the Transferor Clearing Member to the Transferee Clearing Member, the Transferor Clearing Member shall have the right to (i) terminate the relevant Corresponding Client Transaction with such Client and/or (ii) have the relevant Corresponding Client Transaction re-established with, transferred or novated to the Transferee Clearing Member;
- (k) in the event that OTC Clear exercises its right under section 3.19 of the Clearing Procedures to vary the Economic Terms of a Standard Cross-currency Rates Derivatives Contract, the relevant Affected Clearing

Member shall have the right to vary the terms and conditions of the relevant Corresponding Client Transaction to reflect such variation;

- (l) the Clearing Member shall only accept from the Client, as collateral for the Corresponding Client Transactions, the same types of Collateral which OTC Clear accepts from the Clearing Member in respect of the relevant Client Position Account to which Contracts relating to such Corresponding Client Transactions are recorded;
- (m) no margin financing or collateral transformation services shall be provided by the Clearing Member to the Client under the Client Clearing Agreement;
- (n) in the case of a Client Clearing Agreement with a Client that is a Sponsored Settlement Member of such Clearing Member, the Clearing Member and such Sponsored Settlement Member shall agree that (i) payment by OTC Clear to such Sponsored Settlement Member of amounts corresponding to (and in the same currency as) any SSM Payment Amounts in respect of one or more Contracts shall (to the extent of such payment) satisfy and discharge the Clearing Member's obligation to pay the corresponding amount to such Sponsored Settlement Member under the Corresponding Client Transactions relating to those Contracts; and (ii) payment by such Sponsored Settlement Member to OTC Clear of amounts corresponding to (and in the same currency as) any SSM Payment Amounts in respect of one or more Contracts shall (to the extent of such payment) satisfy and discharge the Sponsored Settlement Member's obligation to pay the corresponding amount to the Clearing Member under the Corresponding Client Transactions relating to those Contracts; and
- (o) in the case of a Client Clearing Agreement with a Client Clearing Category 1 Client of such Clearing Member who is eligible to provide Bond Connect Securities as non-cash collateral in respect of Corresponding Client Transactions to the Clearing Member:
 - (A) the Clearing Member and the Client Clearing Category 1 Client confirm that such Bond Connect Securities shall be provided by way of full title transfer from the Client Clearing Category 1 Client to the Clearing Member, which is deemed to be satisfied upon receipt by OTC Clear of such Client Bond Connect Securities in accordance with this Clearing Rule 817(4)(o)(B), and such Client Bond Connect Securities shall immediately be subject to the Deed of Charge in respect of the Client Collateral Accounts entered into between the Clearing Member and OTC Clear, and the Clearing Member shall not have any other rights to dispose of or otherwise deal with such Client Bond Connect Securities;

- (B) without prejudice to this Clearing Rule 817(4)(o)(A), any Client Bond Connect Securities shall be directly transferred from the Client Clearing Category 1 Client to OTC Clear, which the Clearing Member and such Client Clearing Category 1 Client shall agree that such transfer shall (to the extent of such delivery) satisfy and discharge (i) the Client Clearing Category 1 Client's obligations to deliver such Bond Connect Securities to the Clearing Member by way of full title transfer in accordance with the Client Clearing Agreement and (ii) the Clearing Member's obligations to deliver to OTC Clear such Client Bond Connect Securities for the purpose of satisfying its Margin (excluding Participating Margin) requirements in accordance with the Clearing Procedures; and
- (C) with respect to any return of Client Bond Connect Securities from OTC Clear to a Client Clearing Category 1 Client in accordance with these Clearing Rules and the Clearing Procedures, such Client Bond Connect Securities shall be directly transferred from OTC Clear to the Client Clearing Category 1 Client, which the Clearing Member and such Client Clearing Category 1 Client shall agree that such transfer shall (to the extent of such delivery) satisfy and discharge (i) the Clearing Member's obligations to deliver such Client Bond Connect Securities to the Client Clearing Category 1 Client by way of full title transfer in accordance with the Client Clearing Agreement and (ii) OTC Clear's obligations to deliver to the Clearing Member such Client Bond Connect Securities in accordance with the Clearing Procedures,

and to the extent there is no Client Clearing Agreement in full force and effect or there is any deficiency in the Client Clearing Agreement, the Clearing Member and the Client will be deemed to have entered into a binding agreement into which the terms set out in this Clearing Rule 817(3) shall be deemed to have been incorporated. Any changes made to the terms of a Contract by OTC Clear shall be deemed to be reflected in the Corresponding Client Transaction.

Types of Client Clearing Categories

820. A Clearing Member that offers Client Clearing Services to one or more Clients shall offer its Clients the choice between the Client Clearing Category 1 Account Basis and the Client Clearing Category 2 Account Basis, and shall inform them of the costs and level of protection associated with each option (including that only a Client Clearing Category 1 Client may provide Bond Connect Securities as non-cash collateral). The Clearing Member shall procure that each Client confirms its choice in writing. A Client must be allocated to one single Client Clearing Category at any given time, provided that a Client may, at any time but subject to the prior approval by OTC Clear and subject to any conditions that OTC Clear may impose (including without limitation any

requirements as to Margin and Rates and FX Liability), elect to change to a different Client Clearing Category. Upon approval by OTC Clear of a Client's request to change the Client Clearing Category to which it belongs and (if applicable) confirmation by OTC Clear that all relevant conditions have been satisfied, the Clearing Member shall be solely responsible for effecting any related adjustments to the relevant Client Account(s). A Clearing Member may operate one or more Client Clearing Category 1 Accounts and/or one or more Client Clearing Category 2 Accounts, but each Client may not be allocated to more than one Client Position Account at any point in time.

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;
 - (2) Excess Margin (other than those represented by Bond Connect Securities) 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;
 - (3) subject to Clearing Rules 1306 and 1306A, Collateral represented by House Bond Connect Securities held in respect of a Clearing Member's House Position Account shall never be applied to meet any payment or delivery demands in respect of any Client Position Account(s); and
 - (4) Collateral represented by Client Bond Connect Securities held in respect of a Clearing Member's Client Clearing Category 1 Position Account shall never be applied to meet any payment or delivery demands other than in respect of the Client Clearing Category 1 Position Account relating to that Client Clearing Category 1 Client,

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.

Completion of Porting

835. In respect of any Collateral to be ported that is subject to a Deed of Charge entered into between the Transferor Clearing Member and OTC Clear, such porting shall be effected as follows:

- (1) any equities of redemption held by the Transferor Clearing Member in respect of that Collateral shall be assigned absolutely to the Transferee Clearing Member, such that those equities of redemption become subject to the security interests granted in favour of OTC Clear pursuant to the Deed of Charge between the Transferee Clearing Member and OTC Clear; and
- (2) OTC Clear shall release that Collateral from the security interests granted in favour of OTC Clear pursuant to the Deed of Charge between the Transferor Clearing Member and OTC Clear, such that the Transferee Clearing Member becomes entitled to redeem that Collateral pursuant to any equities of redemption assigned to it pursuant to sub-paragraph (1) above.

Transfer of Contracts between Client Accounts and House Accounts

836. (1) If at any time an early termination date (howsoever described) occurs in respect of the relevant Client Clearing Agreement between a Clearing Member and a Client, and at the time of such early termination date such Clearing Member is not a Defaulting Clearing Member, such Clearing Member may instruct OTC Clear to transfer all Contracts relating to the Corresponding Client Transactions between such Clearing Member and such Client from its Client Position Account relating to such Client to its House Position Account and to transfer the Collateral (other than any Client Bond Connect Securities, which such transfer shall be in accordance with Clearing Rule 836(3)) recorded in the corresponding Client Collateral Account to its House Collateral Account, and OTC Clear will, subject to Clearing Rule 837 below, arrange such transfer of Contracts and Collateral within 24 hours of its receipt of such instructions together with receipt to its satisfaction of the following documents:
- (a) a copy of the notice from such Clearing Member to the relevant Client or from the relevant Client to such Clearing Member designating the relevant early termination date or, if such early termination date has occurred automatically, evidence of the relevant event of default or termination event;
 - (b) a copy of a notice served by such Clearing Member on the relevant Client alerting that Client of its intention to request a transfer of the relevant Contracts pursuant to this Clearing Rule 836.
- (2) 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, incurred or suffered in connection with any transfer of Contracts and Collateral set out in Clearing Rule 836(1).

- (3) With respect to Client Bond Connect Securities, the Clearing Member may instruct OTC Clear to (i) liquidate any or all Client Bond Connect Securities via Bond Connect and return the cash proceeds to it and/or (ii) transfer any or all Client Bond Connect Securities to the relevant Client Clearing Category 1 Client. Such transfer of Client Bond Connect Securities by OTC Clear in accordance with such instructions shall satisfy and discharge OTC Clear's obligations in respect of that Client Collateral Account. For the avoidance of doubt, under no circumstances may any Client Bond Connect Securities be transferred to the Clearing Member.

Chapter 9 Accounts

Custody of Non-Cash Collateral

908. OTC Clear may custody non-cash Collateral received by it for the Clearing Members on and subject to the terms of the relevant Deed of Charge.

909. OTC Clear may custody non-cash Collateral through its sub-custodian(s) (which expression shall include depository(ies)) in the following manners:

- (1) in respect of House Collateral Accounts:
 - (a) non-cash Collateral received and recorded in all the Clearing Members' House Collateral Accounts may be held in one or more commingled accounts; or
 - (b) non-cash Collateral received and recorded in a House Collateral Account may be held in a separate segregated sub-account;
- (2) in respect of Client Clearing Category 1 Collateral Accounts:
 - (a) non-cash Collateral received and recorded in all the Clearing Members' Client Clearing Category 1 Collateral Accounts may be held in one or more commingled accounts; or
 - (b) non-cash Collateral received and recorded in a Client Clearing Category 1 Collateral Account may be held in a separate segregated sub-account; and
- (3) in respect of Client Clearing Category 2 Collateral Accounts:
 - (a) non-cash Collateral received and recorded in all the Clearing Members' Client Clearing Category 2 Collateral Accounts may be held in one or more commingled accounts; or
 - (b) non-cash Collateral received and recorded in a Client Clearing Category 2 Collateral Account may be held in a separate segregated sub-account,

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

Chapter 10 Payments

Income and Redemption Proceeds on Non-Cash Collateral

1006. OTC Clear may, in its sole and absolute discretion, pay an amount to such Clearing Member representing any income received by OTC Clear on non-cash Collateral transferred to OTC Clear, net of any Tax (including net of any Withholding Tax). After the occurrence of a DMP Event with respect to such Clearing Member, any such amounts shall not be paid to such Clearing Member and shall instead form part of the Total Available Resources for application in accordance with Clearing Rule 1516 in respect of such DMP Event.

Distributions of amounts pursuant to this Clearing Rule 1006 will take into account any 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 in accordance with section 7.6.2 of the Clearing Procedures. Without prejudice to the foregoing, to the extent required by the Tax Information Exchange Framework or other Applicable Laws, OTC Clear shall be entitled to deduct or withhold Withholding Tax (whether withheld by OTC Clear or any other parties) from any payment of income received by OTC Clear on the non-cash Collateral to a Clearing Member (or from any other payment made by OTC Clear to a Clearing Member) and shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax.

1008. If, for any reason, OTC Clear is unable to pay to a Clearing Member an amount representing income received by it in respect of any non-cash Collateral delivered by such Clearing Member to OTC Clear pursuant to Clearing Rule 1006, such income will not be treated by OTC Clear as Margin and shall be subject to haircut in accordance with section 3.13 of the Clearing Procedures.

PART IV RISK MANAGEMENT AND DEFAULT PROCEDURES

Chapter 12 Margin for Clearing Members

Margin Settlement

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, provided that (i) House Bond Connect Securities may only be transferred to the House Collateral Account and (ii) Client Bond Connect Securities may only be transferred to the relevant Client Clearing Category 1 Collateral Account relating to that Client Clearing Category 1 Client.

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. 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.

1214A. OTC Clear will only accept from a Clearing Member (i) House Bond Connect Securities for purposes of satisfying Margin (excluding Participating Margin) requirements in respect of its House Position Account and (ii) Client Bond Connect Securities for purposes of satisfying Margin requirements in respect of its Client Clearing Category 1 Position Account relating to that Client Clearing Category 1 Client.

OTC Clear will only accept Client Bond Connect Securities as Collateral in respect of a Client Clearing Category 1 Position Account if (i) such Bond Connect Securities are of a type that has been approved by OTC Clear, (ii) such Bond Connect Securities are delivered by the relevant Client Clearing Category 1 Client directly to OTC Clear and (iii) the procedures in section 3.10 of the Clearing Procedures have otherwise been complied with.

Upon such Bond Connect Securities delivered by a Client Clearing Category 1 Client of a Clearing Member being credited to the relevant Client Clearing Category 1 Collateral Account in accordance with section 3.10 of the Clearing Procedures, such Client Bond Connect Securities shall be treated as having been transferred outright from such Client Clearing Category 1 Client to the Clearing Member and then delivered by the Clearing Member to OTC Clear, such that the Client Bond Connect Securities are held by OTC Clear in the same manner as if such Client Bond Connect Securities had been delivered by the Clearing Member to OTC Clear.

With respect to any return of such Client Bond Connect Securities from OTC Clear to a Client Clearing Category 1 Client in accordance with these Clearing Rules and the Clearing Procedures, upon the delivery of such Client Bond Connect Securities from OTC Clear to a Client Clearing Category 1 Client, such Client Bond Connect Securities shall be treated as having been delivered by OTC Clear to the Clearing Member and then transferred outright from the Clearing Member to such Client Clearing Category 1 Client.

For the avoidance of doubt, in no circumstances may (i) House Bond Connect Securities be accepted in respect of a Client Position Account or (ii) Client Bond Connect Securities be accepted in respect of a House Position Account and any other Client Position Account that is not relating to that Client Clearing Category 1 Client.

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, provided that any Collateral represented by House Bond Connect Securities may only be credited to its House Collateral Account and any Collateral represented by Client Bond Connect Securities may only be credited to the relevant Client Clearing Category 1 Collateral Account relating to that Client Clearing Category 1 Client. 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 (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.
- 1218A. A Clearing Member may opt to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Account(s), where Expected Uncollateralized Loss has the meaning given to it in section 6.1.1(4) of the Clearing Procedures (and as modified by section 6.1.1(8) of the Clearing Procedures if Client Clearing Services are provided by such Clearing Member) by giving OTC Clear no less than five Business Days' notice or such shorter notice period as determined by OTC Clear in its absolute discretion, provided that the Excess Margin to reduce the Expected Uncollateralized Loss for such Clearing Member shall not exceed 30% of the Rates and FX Guarantee Fund as calculated on the immediately preceding Rates and FX Contribution Determination Date and provided further that Excess Margin represented by House Bond Connect Securities may only be utilized in respect of its House Position Account and Client Bond Connect Securities may only be utilized in respect of its Client Clearing Category 1 Position Account relating to that Client Clearing Category 1 Client. OTC Clear reserves the right at its absolute discretion to impose a lower cap on the Excess Margin that may be utilized to reduce the Expected Uncollateralized Loss for each Clearing Member. The Collateral provided in respect of such Excess Margin will be taken into account as part of the Margin Balance as recorded in the corresponding Collateral Account when OTC Clear performs its Rates and FX Guarantee Fund calculation in respect of the relevant Position Account.

Chapter 13 Default Procedures

Termination following a Clearing Member Event of Default

1305. Upon the occurrence of an Automatic Early Termination Event or delivery of a Notice of Default with respect to a Defaulting Clearing Member, OTC Clear may take such steps with respect to such Defaulting Clearing Member as in the circumstances appear to it, in its absolute discretion, best calculated:

- (1) to discharge the Defaulting Clearing Member's rights, obligations and liabilities under or in respect of one or more or all Contracts to which the Defaulting Clearing Member is party;
- (2) to minimize losses or the potential for losses to OTC Clear as a result of the default of the Defaulting Clearing Member; or
- (3) without the need for any prior notice to or consent of such Defaulting Clearing Member:
 - (a) (where an Automatic Early Termination Event has not occurred) to terminate any Contract of the Defaulting Clearing Member by designating an Early Termination Date in respect of such Contract;
 - (b) to apply any Collateral in the form of cash, and arranging for the liquidation of any non-cash Collateral (including without limitation appointing one or more agents to act upon its instructions to perform all necessary actions to sell non-cash Collateral that are Bond Connect Securities via Bond Connect) and applying the proceeds of the realization of non-cash Collateral, for the absorption of losses incurred by OTC Clear as a result of the default of the Defaulting Clearing Member;
 - (c) to obtain any advice or assistance from the Defaulting Clearing Member and/or any third party as OTC Clear may deem necessary for any matter arising out of or in connection with an Event of Default and at the expense of the Defaulting Clearing Member, and/or
 - (d) to complete the process set out in Clearing Rules 1306, 1306A, 1306B, 1306C and 1307 in relation to such Defaulting Clearing Member,

in each case, acting in consultation with the Default Management Group and in accordance with the Default Management Process.

Upon the occurrence of any of (i) an Automatic Early Termination Event, (ii) the delivery of a Notice of Default in respect of a Clearing Member or (iii) any failure to pay by a Clearing Member (except, for the avoidance of doubt, to the extent that such payment is discharged by a Sponsored Settlement Member), OTC Clear shall not be obliged to: (a) pay any Notional Exchange Failure Adjustment Amount payable by it in respect of such

Clearing Member; or (b) make any further payments or deliveries in respect of any Contract registered in the name of such Clearing Member, in either case which would otherwise have fallen due on or after such time, and upon the occurrence of an Early Termination Date in respect of such Contracts, any obligations to pay such Notional Exchange Failure Adjustment Amount or to make such further payments or deliveries and any amounts that are due but unpaid in respect of such Contracts shall be satisfied by the payment by, or to, the Defaulting Clearing Member of a single net sum to be determined in accordance with Clearing Rules 1306, 1306A, 1306B, 1306C and 1307, provided that if a Rates and FX Clearing Termination Event occurs at any time prior to the completion of the Default Management Process with respect to a Defaulting Clearing Member, no net sum shall be payable in accordance with Clearing Rules 1306, 1306A, 1306B, 1306C and 1307 and the applicable termination amounts shall instead be determined in accordance with Clearing Rules 1531 to 1540.

OTC Clear Clearing Procedures

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Chapter 3

Rates and FX Clearing Services and Clearing Link Services

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 sub-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 sub-custodian. OTC Clear publishes the sub-custodian for each type of eligible non-cash Collateral on the HKEX website and updates it from time to time. Specific delivery instructions for each type of eligible non-cash Collateral will be notified to the Clearing Members upon request. 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 requested to note the following account and standard delivery instructions requirements with respect to (i) non-cash Collateral relating to House Business and (ii) non-cash Collateral relating to Contracts recorded in the Client Position Account of a Clearing Member ("**Client Business**"):

Type of securities acceptable as non-cash Collateral	Account and standard delivery instructions for House Business	Account and standard delivery instructions for Client Business
US Treasury Bills	Clearing Member shall open one account with its custodian and specify only one standard delivery instruction*	Clearing Member shall open one account with its custodian and specify only one standard delivery instruction [†]
US Treasury Notes		
Hong Kong Exchange Fund Bills	Clearing Member shall open one account with its custodian and specify	Clearing Member shall open one account with its custodian and specify
Hong Kong Exchange Fund Notes		

* For the avoidance of doubt, the same account and standard delivery instruction may be used for House Business for each type of non-cash Collateral that are not Bond Connect Securities.

[†] For the avoidance of doubt, the same account and standard delivery instruction may be used for Client Business for each type of non-cash Collateral that are not Bond Connect Securities.

Type of securities acceptable as non-cash Collateral	Account and standard delivery instructions for House Business	Account and standard delivery instructions for Client Business
	only one standard delivery instruction*	only one standard delivery instruction†
Bonds issued by the Ministry of Finance of the People's Republic of China offered for sale primarily in the international market	Clearing Member shall open one account with its custodian and specify only one standard delivery instruction*	Clearing Member shall open one account with its custodian and specify only one standard delivery instruction†
Bond Connect Securities issued by (i) the Ministry of Finance of the People's Republic of China or (ii) a Policy Bank, each offered for sale primarily in the domestic market	Clearing Member shall open one account with its custodian and specify only one standard delivery instruction	Clearing Member shall procure each Client Clearing Category 1 Client providing Client Bond Connect Securities to open one account with such Client Clearing Category 1 Client's custodian and specify only one standard delivery instruction for the return of such Client Bond Connect Securities to the receiving custodian of the relevant Client Clearing Category 1 Client

With respect to Bond Connect Securities provided as non-cash Collateral to OTC Clear, OTC Clear will only accept delivery of (i) House Bond Connect Securities by a Clearing Member relating to House Business and (ii) Client Bond Connect Securities by a Client Clearing Category 1 Client relating to Contracts recorded in the Client Position Account in respect of that Client Clearing Category 1 Client.

A Clearing Member shall instruct its custodian to deliver the House Bond Connect Securities to OTC Clear for recording in its House Collateral Account.

A Clearing Member shall procure its Client Clearing Category 1 Client to instruct its custodian to deliver the Client Bond Connect Securities to OTC Clear for recording

* For the avoidance of doubt, the same account and standard delivery instruction may be used for House Business for each type of non-cash Collateral that are not Bond Connect Securities.

† For the avoidance of doubt, the same account and standard delivery instruction may be used for Client Business for each type of non-cash Collateral that are not Bond Connect Securities.

in its Client Clearing Category 1 Collateral Account relating to that Client Clearing Category 1 Client. The Clearing Member in respect of such Client Clearing Category 1 Client must notify OTC Clear prior to the delivery of such Bond Connect Securities (i) the identity of such Client Clearing Category 1 Client, (ii) details of the account where such Bond Connect Securities will originate from and (iii) the standard delivery instruction for the return of such Client Bond Connect Securities to the Client Clearing Category 1 Client's receiving custodian by OTC Clear in accordance with the Clearing Rules and these Clearing Procedures.

The relevant sub-custodian of OTC Clear 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 sub-custodian to deliver the relevant non-cash Collateral (other than non-cash Collateral represented by Client Bond Connect Securities) to each Clearing Member in accordance with the standard delivery instructions provided by such Clearing Member. With respect to Client Bond Connect Securities, OTC Clear will instruct the relevant sub-custodian to deliver the Client Bond Connect Securities to the Client Clearing Category 1 Client in accordance with the standard delivery instructions provided by its Clearing Member.

If a Clearing Member wishes to change its standard delivery instruction in respect of settlement in relation to its House Collateral Account, its Client Collateral Accounts and/or (with respect to Client Bond Connect Securities provided by a Client Clearing Category 1 Client) any of its Client Clearing Category 1 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, sub-custodian or other depository service that OTC Clear uses, the termination or suspension of OTC Clear's membership or use of a sub-custodian or any variation of a sub-custodian's operational timetable, whether or not occasioned by the action of the sub-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.

3.10.1 Types of Securities Acceptable as Non-cash Collateral

Clearing Members are requested to note that OTC Clear accepts the following securities as non-cash Collateral:

Type of securities acceptable as non-cash Collateral	Sub-custodian	Minimum delivery amount
US Treasury Bills	Central Moneymarkets Unit (“ CMU ”)	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes		USD100 and integral multiples of USD100 in excess thereof
Hong Kong Exchange Fund Bills	CMU	HKD500,000 and integral multiples of HKD500,000 in excess thereof
Hong Kong Exchange Fund Notes		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 offered for sale primarily in the international market	CMU	CNY (offshore)500,000 and integral multiples of CNY (offshore)500,000 in excess thereof
Bond Connect Securities issued by (i) the Ministry of Finance of the People’s Republic of China or (ii) a Policy Bank, each offered for sale primarily in the domestic market	CMU	CNY (onshore)10,000 and integral multiples of CNY (onshore)10,000 in excess thereof

Collateral Haircuts for the relevant asset type are published on the HKEX website and will be updated from time to time:

<http://www.hkex.com.hk/eng/prod/clr/otcclrsett/chaircut.htm>

3.10.2 Procedures for Voluntary Withdrawal of Non-Cash Collateral representing Excess Margin

The following procedures apply to voluntary withdrawal of non-cash Collateral by a Clearing Member representing Excess Margin:

- (i) prior to requesting withdrawal of any non-cash Collateral then deposited with OTC Clear, the Clearing Member should ensure that there is a positive balance of the relevant security represented by the relevant international securities identification number assigned by the International Securities Identification Numbers Organization (“**ISIN code**”) standing to the credit of

its House Collateral Account or relevant Client Collateral Account, as the case may be, and that such Collateral represents Excess Margin;

- (ii) the Clearing Member shall input a request for withdrawal of the relevant security via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on an OTC Clear Clearing 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 "**Non-cash Collateral 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 3.10.2(ii).

Each withdrawal request must specify: (a) the ISIN code of each relevant non-cash Collateral that it is seeking to withdraw, (b) the notional amount of each such Collateral that it is seeking to withdraw, (c) the value date for settlement and (d) the relevant House Collateral Account or Client Collateral Account that it is seeking to withdraw the relevant Collateral from;

- (iii) in addition, each withdrawal request must comply with the following parameters:

Type of non-cash Collateral to be withdrawn	Value Date for Settlement to be specified in each withdrawal request	Minimum withdrawal 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	HKD50,000 and integral multiples of HKD50,000 in excess thereof

Type of non-cash Collateral to be withdrawn	Value Date for Settlement to be specified in each withdrawal request	Minimum withdrawal amount
	Hong Kong are open for general business.	
Bonds issued by the Ministry of Finance of the People's Republic of China offered for sale primarily in the international market	<p>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.</p> <p>Where, "Beijing Business Day" means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.</p>	CNY (offshore)500,000 and integral multiples of CNY (offshore)500,000 in excess thereof
Bond Connect Securities issued by (i) the Ministry of Finance of the People's Republic of China or (ii) a Policy Bank, each offered for sale primarily in the domestic market	<p>one CMU Settlement 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.</p> <p>Where "CMU Settlement Day" means a day on which CMU is open for settlement of transfers of Bond Connect Securities.</p>	CNY (onshore)10,000 and integral multiples of CNY (onshore)10,000 in excess thereof

- (iv) a withdrawal request which does not comply with the above parameters or which is submitted after 12:00 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;
- (v) if such withdrawal request is approved and processed by OTC Clear:
 - (a) the Margin Balance of the Clearing Member's House Collateral Account or relevant Client Collateral Account, as the case may be, will be reduced to reflect the notional amount of securities withdrawn;
 - (b) OTC Clear will instruct its sub-custodian to deliver the relevant securities free of payment on the relevant value date for settlement specified in such withdrawal request in accordance with the latest standard delivery instructions (provided by the Clearing Member as set out in this section 3.10) in relation to its House Collateral Account or Client Collateral Accounts, as the case may be, provided that with respect to a withdrawal of Client Bond Connect Securities standing to the credit of a Client Collateral Account, such Client Bond Connect Securities will only be

delivered directly to the receiving custodian of the Client relating to that Client Collateral Account; and

- (c) the Clearing Member should ensure that the information submitted to OTC Clear in the withdrawal request matches the details it submits to its or its Client's receiving custodian, as the case may be. In the event of a discrepancy, delivery will fail; and
- (vi) if such withdrawal request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal.

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, (c) the value date for settlement and (d) the relevant House Collateral Account or Client Collateral Account that it is seeking to deposit the relevant security into;
- (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	USD100 and integral multiples of USD100 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
US Treasury Notes	<p>maturity date of the relevant security.</p> <p>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.</p>	USD100 and integral multiples of USD100 in excess thereof
Hong Kong Exchange Fund Bills	<p>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.</p>	HKD500,000 and integral multiples of HKD500,000 in excess thereof
Hong Kong Exchange Fund Notes	<p>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.</p>	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 offered for sale primarily in the international market	<p>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.</p> <p>Where, “Beijing Business Day” means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.</p>	CNY (offshore) 500,000 and integral multiples of CNY (offshore) 500,000 in excess thereof
Bond Connect Securities issued by (i) the Ministry of Finance of the People’s Republic of China or (ii) a Policy Bank, each offered for sale primarily in the domestic market	<p>one CMU Settlement 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.</p>	CNY (onshore)10,000 and integral multiples of CNY (onshore)10,000 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 “ CMU Settlement Day ” means a day on which CMU is open for settlement of transfers of Bond Connect Securities.	

- (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 or seeks to request the deposit of: (a) House Bond Connect Securities into a Client Collateral Account, (b) Client Bond Connect Securities into a House Collateral Account or (c) Client Bond Connect Securities into a Client Collateral Account that is not relating to the Client Clearing Category 1 Client 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 its sub-custodian 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 OTC Clear’s sub-custodian 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.

3.10.4 Procedures for Porting of Non-Cash Collateral representing Excess Margin

The following procedures apply to porting of non-cash Collateral by a Clearing Member representing Excess Margin in its House Collateral Account to any of its Client Collateral Accounts. For the avoidance of doubt, (i) porting of Excess Margin amongst Client Collateral Accounts of a Clearing Member, (ii) porting of Excess Margin from a Client Collateral Account of a Clearing Member to the House Collateral Account of that Clearing Member and (iii) porting of Excess Margin

represented by House Bond Connect Securities from the House Collateral Account of a Clearing Member to a Client Collateral Account of that Clearing Member is prohibited:

- (i) prior to requesting porting of any non-cash Collateral then deposited with OTC Clear, the Clearing Member should ensure that:
 - (a) there is a positive balance of the relevant security represented by the relevant ISIN code standing to the credit of its House Collateral Account, and that such Collateral represents Excess Margin; and
 - (b) any Collateral Concentration Limits imposed on it would not be exceeded upon the completion of such porting request;
- (ii) the Clearing Member shall input a request for porting of such Excess Margin to any of its Client Collateral Accounts via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on an OTC Clear Clearing 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 "**Non-cash Collateral 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 3.10.4(ii).

Each porting request must specify: (a) the ISIN code of each relevant non-cash Collateral that it is seeking to port, (b) the notional amount of each such Collateral that it is seeking to port, (c) the value date for settlement and (d) the Client Collateral Account into which such Collateral is to be ported;

- (iii) in addition, each porting request must comply with the following parameters:

Type of non-cash Collateral to be ported	Value Date for Settlement to be specified in each porting request	Minimum porting 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		USD100 and integral multiples of USD100 in excess thereof

Type of non-cash Collateral to be ported	Value Date for Settlement to be specified in each porting request	Minimum porting amount
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 offered for sale primarily in the international market	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. Where, " Beijing Business Day " means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.	CNY (offshore) 500,000 and integral multiples of CNY (offshore) 500,000 in excess thereof

- (iv) a porting request which does not comply with the above parameters or which is submitted after 12:00 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;
- (v) a porting request which if processed would result in the Clearing Member breaching a Concentration Limit imposed on it will be rejected;
- (vi) if such porting request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal; and
- (vii) if such porting request is approved by OTC Clear, upon confirmation from its sub-custodian that the relevant securities have been transferred from OTC Clear's account with its sub-custodian in which Collateral for Clearing Members' House Business is held to OTC Clear's account with its sub-custodian in which Collateral for Clearing Members' Client Business is held, OTC Clear will update the Margin Balance of the Clearing Member's House Collateral Account and its relevant Client Collateral Account to reflect such porting. 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 Client Collateral Account has been updated, regardless of the

value date on which such securities are transferred at OTC Clear's sub-custodian.

Clearing Members should be aware that non-cash Collateral representing Excess Margin ported from a Clearing Member's House Collateral Account to its Client Collateral Account on a particular OTC Clear Clearing Day will not be available in time to satisfy Margin calls made in respect of the corresponding Client Position Account on that OTC Clear Clearing Day.

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 level “black” of the rainstorm warning system (a “**Black Rainstorm Warning**”) or a number 8 tropical cyclone warning signal (a “**Typhoon Signal Number 8**”) or above is issued by The Hong Kong Observatory or if extreme conditions are announced by any governmental authority of Hong Kong as a result of serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal Number 8 or above is lowered to a number 3 tropical cyclone warning signal (a “**Typhoon Signal Number 3**”) or below by The Hong Kong Observatory (“**Extreme Conditions**”), 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, 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.

“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.

3.13 Interest amount (coupon) in respect of Non-Cash Collateral

In respect of securities held by it as non-cash Collateral, OTC Clear may, in its sole and absolute discretion, pay the interest amount (coupon) payment to the relevant Clearing Member at any time after OTC Clear has been credited with such interest amount (coupon).

On the interest amount (coupon) payment date, interest amount (coupon) of such non-cash Collateral, to the extent retained by OTC Clear, will be:

- (i) held by OTC Clear for the Clearing Member on and subject to the terms of the relevant Deed of Charge and form part of the security interest created under the relevant Deed of Charge; and
- (ii) treated as having an applicable Collateral Haircut of 100 per cent., but otherwise treated for the purposes of the Clearing Documentation as income on such non-cash Collateral recorded to the House Collateral Account or Client Collateral Account (as applicable) of that Clearing Member.

No interest will be paid by OTC Clear in respect of such interest amount (coupon).

The scheduled interest amount (coupon) payment date of each security comprising each Clearing Member's non-cash Collateral is reflected in the "OTC Clear Risk Management Report (Report Number RMRP06)" or "OTC Clear Risk Management Report for Client (Report Number RMRP07)", which is made available to each Clearing Member on the Web Portal.

3.14 Maturity of Non-Cash Collateral

Clearing Members must substitute any non-cash Collateral deposited with OTC Clear no later than five business days prior to the scheduled maturity date of the relevant security (calculated by reference to the definition of business days in the terms and conditions of the relevant security). OTC Clear does not process the redemption of securities held by it as non-cash Collateral.

Notwithstanding section 7.5.1, any non-cash Collateral which is not withdrawn on or before the cut off date set out in the foregoing will be treated as having an applicable Collateral Haircut of 100 per cent. with effect from that cut off date. On maturity, redemption proceeds of such non-cash Collateral will be:

- (i) held by OTC Clear for the Clearing Member on and subject to the terms of the relevant Deed of Charge and form part of the security interest created under the relevant Deed of Charge; and
- (ii) treated as having an applicable Collateral Haircut of 100 per cent., but otherwise treated for the purposes of the Clearing Documentation as redemption proceeds on such non-cash Collateral recorded to the House Collateral Account or Client Collateral Account (as applicable) of that Clearing Member.

No interest will be paid by OTC Clear in respect of such redemption proceeds and a request must be made by the relevant Clearing Member to effect withdrawal of such proceeds.

The scheduled maturity date of each security comprising each Clearing Member's non-cash Collateral is reflected in the "OTC Clear Risk Management Report (Report Number RMRP06)", which is made available to each Clearing Member on the Web Portal.

3.17 Porting of Client Contracts and Collateral to a Transferee Clearing Member

3.17.1 Full Portfolio Porting

Requirements

Each full portfolio porting request will only be accepted and processed by OTC Clear if all of the following conditions are satisfied:

- (i) the Transferee Clearing Member submits to OTC Clear an original completed and signed form for portfolio porting*. The form must indicate whether the Collateral held on behalf of the relevant Client by the Transferor Clearing Member needs to be ported together with the corresponding Contracts;
- (ii) Contracts and Collateral are being ported from a Client Position Account and corresponding Client Collateral Account identified as being held by the relevant Transferor Clearing Member for a particular Client to a Client Position Account and corresponding Client Collateral Account identified as being held by the Transferee Clearing Member for the same Client;
- (iii) details of the particular Client and the Contracts and Collateral identified as being held by the Transferor Clearing Member for such Client as set out in the porting request match OTC Clear's records of such Client's holdings in the relevant Transferor Clearing Member's relevant Client Position Account and corresponding Client Collateral Account;
- (iv) if Collateral is not being ported, the Transferee Clearing Member must ensure that there is sufficient Collateral comprising the Margin Balance of the relevant Client Collateral Account no later than 19:00 hours Hong Kong time on the third OTC Clear Business Day following the submission of the porting request;
- (v) no DMP Event has occurred with respect to the Transferee Clearing Member and the relevant Transferor Clearing Member;
- (vi) the relevant Transferor Clearing Member has consented to the porting;
- (vii) the Transferor Clearing Member and the Transferee Clearing Member submit to OTC Clear an original completed and executed BAU Porting Supplemental Assignment Letter;
- (viii) the Transferee Clearing Member's standard settlement instruction for each relevant Contractual Currency of the Contracts being ported is in place;
- (ix) the Transferee Clearing Member's standard settlement instruction for each relevant Eligible Currency of cash Collateral being ported is in place; and
- (x) the Transferee Clearing Member's standard delivery instruction for each relevant non-cash Collateral being ported is in place and with respect to Client Bond Connect Securities that are being ported, the standard delivery instruction for the return of the Client Bond Connect Securities to the Client Clearing Category 1 Client's receiving custodian by OTC Clear in accordance with the Clearing Rules and these Clearing Procedures is in place.

* Available on request from OTC Clear

3.17.2 Procedures for Full Portfolio Porting where Collateral being ported from a Client Collateral Account of a Transferor Clearing Member to a Client Collateral Account of a Transferee Clearing Member comprises Non-Cash Collateral

The following procedures apply to each full portfolio porting request where Collateral being ported from a Client Collateral Account of a Transferor Clearing Member identified as being held by the relevant Transferor Clearing Member for a particular Client to a Client Collateral Account identified as being held by the Transferee Clearing Member for the same Client comprises non-cash Collateral:

- (i) non-cash Collateral may only be ported if they are not scheduled to mature within four OTC Clear Business Days from the date of submission of the porting request; and
- (ii) any full portfolio porting request comprising non-cash Collateral which does not satisfy this condition will be rejected and should be amended to remove such non-cash Collateral and re-submitted.

3.17.7 Update of Records

At the Porting Completion Time:

- (i) each relevant Contract registered in the relevant Transferor Clearing Member's relevant Client Position Account will be de-registered and flagged as "TRANSFERED" in the "OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)";
- (ii) the status of each relevant Contract successfully ported to and registered in the Transferee Clearing Member's relevant Client Position Account will be flagged as "CLEARED" in the "OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)"; and
- (iii) Collateral records (where applicable) in the relevant Transferor Clearing Member's relevant Client Collateral Account and the Transferee Clearing Member's relevant Client Collateral Account will be updated accordingly and reflected in the "OTC Clear Risk Management Report (Report Number RMRP07)".

3.18 Porting of Contracts and Collateral amongst Client Accounts of a Clearing Member

Upon receipt of valid instructions from a Client wishing to change the segregation arrangements applicable to all the Contracts and Collateral identified as being held on its behalf by its Clearing Member, a Clearing Member may submit a request to port all of such Contracts and Collateral:

- (i) from the Client Clearing Category 1 Position Account and corresponding Client Clearing Category 1 Collateral Account identified as relating to such Client to a Client Clearing Category 2 Position Account and corresponding

Client Clearing Category 2 Collateral Account identified as relating to such Client, provided that no Client Bond Connect Securities may be ported from a Client Clearing Category 1 Collateral Account to a Client Clearing Category 2 Collateral Account, and any Client Bond Connect Securities in such Client Clearing Category 1 Collateral Account shall be directly returned by OTC Clear to the Client Clearing Category 1 Client;

- (ii) from the Client Clearing Category 2 Position Account and corresponding Client Clearing Category 2 Collateral Account identified as relating to such Client to the Client Clearing Category 1 Position Account and corresponding Client Clearing Category 1 Collateral Account identified as relating to such Client; or
- (iii) from the Client Clearing Category 2 Position Account and corresponding Client Clearing Category 2 Collateral Account identified as relating to such Client to another Client Clearing Category 2 Position Account and corresponding Client Clearing Category 2 Collateral Account identified as relating to such Client.

Each Client must be allocated to one single Client Clearing Category at any given time. Other than the non-porting of Client Bond Connect Securities in accordance with this section 3.18(i), if any Contract or Collateral cannot be ported successfully, the entire porting request will be deemed unsuccessful and must be corrected and resubmitted.

Contracts eligible for porting must not have reached their scheduled Termination Date or Settlement Date, and must remain outstanding as of the date of the submission of the porting request.

A Clearing Member must submit a separate porting request for each Client.

In respect of each porting request, each Clearing Member is deemed to acknowledge, represent and undertake that:

- (a) it has duly informed its Client of the difference in rights, obligations and risk between the Client Clearing Category that such Client is currently allocated to and the Client Clearing Category that such Client is electing to change to (including that only a Client Clearing Category 1 Client may provide Bond Connect Securities as non-cash collateral in respect of Corresponding Client Transactions);
- (b) it has received proper Client authorization for the instructions contained in such porting request;
- (c) it is solely responsible for the accuracy and completeness of the information contained in such porting request;
- (d) OTC Clear is entitled to rely conclusively on the instructions and information provided in such porting request without further enquiry; and

- (e) OTC Clear shall incur no liability for any delay, rejection, loss, cost, claim, action, demand or expense in the processing of such porting request and in effecting the porting of Contracts and Collateral in reliance on the information contained in such porting request.

3.18.3 Update of Records and closing of existing Client Accounts

In respect of each porting request that has been successfully effected:

- (i) where such porting request relates to a scenario described in section 3.18 above, OTC Clear will close the existing Client Clearing Category 1 Position Account and its corresponding Client Clearing Category 1 Collateral Account identified as relating to the relevant Client and earmark the relevant existing Client Clearing Category 2 Position Account and its corresponding Client Clearing Category 2 Collateral Account as relating to the relevant Client;
- (ii) where such porting request relates to a scenario described in section 3.18 above, OTC Clear will open a new Client Clearing Category 1 Position Account and corresponding Client Clearing Category 1 Collateral Account under the relevant Clearing Member and earmark such Client Accounts as relating to the relevant Client;
- (iii) where such porting request relates to a scenario described in section 3.18 above, OTC Clear will earmark the relevant existing Client Clearing Category 2 Position Account and its corresponding Client Clearing Category 2 Collateral Account as relating to the relevant Client;
- (iv) each Contract registered on behalf of the relevant Client in the existing Client Position Account identified as relating to such Client will be de-registered and flagged as “TRANSFERED” in the “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)”;
- (v) the status of each Contract successfully ported to and registered in the new Client Position Account identified as relating to such Client will be flagged as “CLEARED” in the “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)”;
- (vi) Collateral records in the relevant Clearing Member’s relevant Client Collateral Accounts will be updated accordingly and reflected in the “OTC Clear Risk Management Report (Report Number RMRP07)”.

Chapter 4

Margin and Valuation

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 (or in the case of Excess Margin represented by Client Bond Connect Securities, redelivered to the relevant Client Clearing Category 1 Client) upon the Clearing Member’s request pursuant to Clearing Rule 1218.

Chapter 7

Collateral

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.

OTC Clear currently accepts from Clearing Members (i) House Bond Connect Securities in respect of its House Position Account and (ii) Client Bond Connect Securities in respect of its Client Clearing Category 1 Position Account relating to that Client Clearing Category 1 Client.

OTC Clear will only accept Client Bond Connect Securities as Collateral in respect of a Client Clearing Category 1 Position Account if such Bond Connect Securities are delivered by the relevant Client Clearing Category 1 Client directly to OTC Clear.

OTC Clear currently does not accept Bond Connect Securities from Clearing Members in respect of a Client Clearing Category 2 Position Account.

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 its sub-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.

7.6 Treatment of Collateral

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, 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

8.12 Agency Appointment

OTC Clear may appoint one or more agents to liquidate any non-cash Collateral in accordance with the Clearing Rules and these Clearing Procedures and/or to enforce the security interest created under the relevant Deed of Charge and exercise all or any of its powers, authorities and discretions in connection thereto.

8.12.1 Liquidation of non-cash Collateral that are Bond Connect Securities

In respect of liquidation of non-cash Collateral that are Bond Connect Securities, OTC Clear has appointed Hong Kong Securities Clearing Company Limited (“**HKSCC**”) as its liquidation agent to sell the Bond Connect Securities via Bond Connect. OTC Clear may instruct HKSCC to perform all necessary actions to execute instructions for the sale of Bond Connect Securities on an electronic trading system operated by an eligible operator.

Each Clearing Member who has posted Bond Connect Securities as non-cash Collateral to satisfy Margin (excluding Participating Margin) requirements relating to its House Position Account and Client Position Account(s) hereby agrees, with the full power and authority of that Clearing Member, that upon enforcement of the security interest under the relevant Deed of Charge and/or that where OTC Clear is acting in accordance with the relevant Clearing Member’s instructions pursuant to Clearing Rule 836(3), HKSCC shall act on the instructions of OTC Clear to sell Bond Connect Securities via Bond Connect and deliver the proceeds of realization to OTC Clear for application in accordance with the Clearing Rules.

8.13 Client Entitlement

If any Client Bond Connect Securities constituting Client Entitlement are to be returned to a Client Clearing Category 1 Client in accordance with Chapter 13 of the Clearing Rules, OTC Clear will instruct its sub-custodian to deliver the relevant Client Bond Connect Securities free of payment to the Client Clearing Category 1 Client’s receiving custodian in accordance with the standard delivery instructions last provided by the Clearing Member.

Appendix I

Fees Schedule

(vi) Accommodation charges, administrative fees and/or commitment fees for credit lines in respect of any non-cash Collateral

An accommodation charge will be charged monthly in arrears to each Clearing Member, calculated at the rate of 0.15% per annum of the average daily aggregate principal amount of non-cash Collateral outstanding across each Clearing Member's Collateral Accounts over the immediately preceding month.

Account opening, account maintenance and custody fees charged to OTC Clear by its sub-custodian in respect of each account described in Rule 909 may be charged to each Clearing Member at cost.

Appendix III
Template Hong Kong law Deed of Charge – House Collateral
Account

DEED OF CHARGE – HOUSE COLLATERAL ACCOUNT

dated [_____]

created by

[CLEARING MEMBER]

([Business Registration] [Company] No. [_____])

as a Clearing Member
in favour of

OTC CLEARING HONG KONG LIMITED

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THIS DEED is dated [_____] and made between:

- (1) [_____] a company incorporated in [_____] having [business registration] [company] number [_____] and its [registered] / [principal] office at [_____] (the "**Clearing Member**"); and
- (2) OTC Clearing Hong Kong Limited of 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong ("**OTC Clear**").

This DEED witnesses the following:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

"**Bond Connect**" means the mutual market access mechanism between the China Interbank Bond Market and Hong Kong bond market infrastructures, which enables eligible investors outside of Mainland China to directly trade bonds in the China Interbank Bond Market.

"**Bond Connect Securities**" means bonds in the China Interbank Bond Market which are traded via Bond Connect.

"**Securities**" means:

- (a) securities and investments of any kind, including without limitation, Bond Connect Securities (other than cash and balances in respect of cash) from time to time recorded in the Clearing Member's House Collateral Account; and
- (b) all rights relating to those securities and investments referred to in paragraph (a) above which are deposited with, or registered in the name of, any depository, custodian, nominee, clearing house or system, investment manager, chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person, which shall include OTC Clear and its sub-custodians).

1.3 Construction

- (a) Unless a contrary indication appears, any reference in this Deed to:
 - (i) "**OTC Clear**", the "**Clearing Member**" 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 Clearing Documentation;
 - (ii) any "**Contract**", any "**Clearing Documentation**" or any other agreement or instrument is a reference to that Contract, Clearing Documentation or other agreement or instrument as amended,

novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced; and

- (iii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality).
- (b) The provisions in Clearing Rules 102 to 108 apply to this Deed with all necessary changes.
- (c) In the context of the rights, powers, privileges, discretions and immunities conferred on OTC Clear, a Receiver or a Delegate, references to charge or mortgage in any provision of the CPO shall, for the purposes of this Deed, be deemed to be references to the Charges and references to mortgaged land in any provision of the CPO shall, for the purposes of this Deed, be deemed to be references to the Charged Assets.

1A. **HOLDING OF SECURITIES**

- (a) OTC Clear shall hold Securities for the account of the Clearing Member, subject to the terms of (including the security constituted by) this Deed.
- (b) OTC Clear will identify in its own books that any Securities are held by it for the account of the Clearing Member (subject to the terms of this Deed) and shall be recorded in the House Collateral Account, which shall be subject to the Security created or expressed to be created by or pursuant to this Deed. Where OTC Clear holds any such Securities in an account with its sub-custodian(s) (which expression shall include depositories) with any other securities, OTC Clear will take all actions within its control to ensure that such Securities are recorded in accounts with its sub-custodian(s) in which OTC Clear's own assets are not recorded.
- (c) OTC Clear may hold any Securities pursuant to this Clause 2 in one or more omnibus accounts with its sub-custodian(s), together with other securities which it holds for other third parties which have granted a charge over such assets in favour of OTC Clear in a form substantially the same as this Deed, but no other securities. OTC Clear shall ensure that any such omnibus account with its sub-custodian(s) is clearly identified as an account relating to securities held by OTC Clear on behalf of third parties.

[1B. **PRIOR DEED OF CHARGE**

1B.1 **Release**

OTC Clear hereby unconditionally and irrevocably:

- (a) releases and discharges the Released Charged Assets from the Prior Charges constituted, created, evidenced or conferred by or pursuant to the Prior Deed of Charge; and
- (b) releases, discharges, waives, terminates, reassigns and re-transfers to the Clearing Member all its rights, title and interest in the Released Charged Assets, present or future that were assigned, charged or otherwise provided as Prior Charges to OTC Clear by or pursuant to the Prior Deed of Charge.

1B.2 **New security**

Immediately upon the release pursuant to Clause 1B.1 (*Release*), the Released Charged Assets shall immediately be deemed to be held by OTC Clear in accordance with Clause 1A (*Holding of Securities*) and be subject to the Charges created or expressed to be created by or pursuant to this Deed.

1B.3 **Definitions**

For the purposes of this Clause 1B:

“Prior Charges” means all or any of the Security created or expressed to be created by or pursuant to the Prior Deed of Charge.

“Prior Deed of Charge” means the Deed of Charge – House Collateral Account between the Parties dated [●].

“Released Charged Assets” means the assets from time to time subject, or expressed to be subject, to the Prior Charges or any part of those assets.]¹

3. **SECURITY**

The Clearing Member, as beneficial owner of the Securities and as continuing security for the due and punctual payment and discharge of all Liabilities, charges in favour of OTC Clear by way of first fixed charge, all its present and future Securities and Interest and all its present and future rights relating to any of the Securities, including without limitation:

- (a) its rights relating to or against any custodian, sub-custodian, depository or clearing system, with whom any of the Securities (or rights relating to any of the Securities) may be deposited to the extent of those Securities and/or related rights;
- (b) rights it may have against any person to require delivery by that person of any of the Securities or any other applicable assets to it or to its order;

¹ Applicable only to Clearing Members who have previously executed a Deed of Charge with OTC Clear.

- (c) rights (contractually or otherwise) to give instructions relating to the Securities; and
- (d) all claims for damages and rights to receive moneys due or to become due for any reason whatsoever in respect of any of the Securities.

5. **SECURITIES**

5.1 **Voting before enforcement**

Subject to Clause 5.2 (*Voting after enforcement*), the Clearing Member shall not be entitled to exercise, and shall not be entitled to direct the exercise of, the voting and other rights attached to any Securities.

5.2 **Voting after enforcement**

At any time after the occurrence of a DMP Event with respect to the Clearing Member:

- (a) OTC Clear or the Receiver shall be entitled to exercise or direct the exercise of the voting and other rights attached to any Securities in such manner as it or he sees fit; and
- (b) the Clearing Member shall comply or procure the compliance with any directions of OTC Clear or the Receiver in respect of the exercise of those rights and shall promptly execute and/or deliver to OTC Clear or the Receiver such forms of proxy as it or he requires with a view to enabling such person as it or he selects to exercise those rights.

5.3 **Interest before enforcement**

Subject to Clause 5.4 (*Interest after enforcement*), OTC Clear may, in its sole and absolute discretion, pay, such amounts in respect of cash income derived from the Securities as are specified in the Clearing Rules and Clearing Procedures.

5.4 **Interest after enforcement**

At any time after the occurrence of a DMP Event with respect to the Clearing Member, OTC Clear (or, as the case may be, its nominee) shall be entitled to retain any such cash income derived from the Securities received by it and apply the same in such manner as OTC Clear sees fit.

5.5 **Communications**

The Clearing Member shall promptly deliver to OTC Clear a copy of every circular, notice, report, set of accounts or other documents received by it or its nominee in connection with the Securities or in connection with or from the issuer of any of the Securities.

5.6 **Payment of calls etc.**

The Clearing Member will promptly pay or procure the payment of all calls, instalments or other payments which may at any time become due in respect of any of the Charged Assets.

8. **ENFORCEMENT**

8.1 **When enforceable**

The Charges shall be immediately enforceable on and at any time after the occurrence of a DMP Event with respect to the Clearing Member, and OTC Clear:

- (a) may enforce all or any part of any Charges (at the times, in the manner and on the terms it thinks fit) and take possession and hold or dispose of all or any part of the Charged Assets, including without limitation, instructing Hong Kong Securities Clearing Company Limited to liquidate any Bond Connect Securities that are Securities as its agent via Bond Connect; and
- (b) whether or not it has appointed a Receiver, 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 Deed or otherwise conferred by law.

10. **OTC CLEAR'S RIGHTS**

10.2 **Delegation**

OTC Clear may delegate in any manner to any person any rights exercisable by OTC Clear under this Deed, including without limitation, to Hong Kong Securities Clearing Company Limited in respect of the liquidation of any Bond Connect Securities that are Securities at the instruction of OTC Clear. Any such delegation may be made upon such terms and conditions (including power to sub-delegate) as OTC Clear thinks fit.

13. **POWER OF ATTORNEY**

13.1 **Appointment**

The Clearing Member by way of security irrevocably appoints OTC Clear, every Receiver and every Delegate severally 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:

- (a) to do anything which the Clearing Member is obliged to do (but has not done) under any Clearing Documentation (including to execute charges over, transfers, conveyances, assignments and assurances of, and other instruments, notices, orders and directions relating to, the Charged Assets); and

- (b) to exercise any of the rights conferred on OTC Clear, any Receiver or any Delegate in relation to the Charged Assets or under or in connection with any Clearing Documentation or under the CPO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or generally under Hong Kong law.

15. **SAVING PROVISIONS**

15.3 **Waiver of defences**

Neither the obligations of the Clearing Member under this Deed nor the Charges will be affected by an act, omission, matter or thing which, but for this Clause 15.3, would reduce, release or prejudice any of its obligations under any Contract or Clearing Documentation or any of the Charges (without limitation and whether or not known to it or OTC Clear) including:

- (a) any time, waiver or consent granted to, or composition with, the Clearing Member or other person;
- (b) the release of the Clearing Member or other person under the terms of any composition or arrangement with any creditor of the Clearing Member;
- (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, the Clearing Member 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;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Clearing Member or other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Contract or Clearing Documentation or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Contract or Clearing Documentation or any other document or security; or
- (g) any insolvency or similar proceedings.

15.6 **Additional Security**

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

Appendix IV
Template Hong Kong law Deed of Charge – Client Collateral
Accounts

DEED OF CHARGE – CLIENT COLLATERAL ACCOUNTS

dated [_____]

created by

[CLEARING MEMBER]

([Business Registration] [Company] No. [_____])

as a Clearing Member
in favour of

OTC Clearing Hong Kong Limited

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THIS DEED is dated [_____] and made between:

- (1) [_____] a company incorporated in [_____] having [business registration] [company] number [_____] and its [registered] / [principal] office at [_____] (the "**Clearing Member**"); and
- (2) OTC Clearing Hong Kong Limited of 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong ("**OTC Clear**").

This DEED witnesses the following:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

"**Bond Connect**" means the mutual market access mechanism between the China Interbank Bond Market and Hong Kong bond market infrastructures, which enables eligible investors outside of Mainland China to directly trade bonds in the China Interbank Bond Market.

"**Bond Connect Securities**" means bonds in the China Interbank Bond Market which are traded via Bond Connect.

"**equities of redemption**" means any equities of redemption of a Clearing Member against OTC Clear in respect of its non-cash Collateral held by OTC Clear and any other rights of such Clearing Member against OTC Clear in respect of its non-cash Collateral, including rights (if any) against OTC Clear as custodian of such non-Cash Collateral.

"**Securities**" means:

- (a) securities and investments of any kind, including without limitation, Bond Connect Securities (other than cash and balances in respect of cash) from time to time recorded in any Client Collateral Account from time to time maintained for the Clearing Member; and
- (b) all rights relating to those securities and investments referred to in paragraph (a) above which are deposited with, or registered in the name of, any depository, custodian, nominee, clearing house or system, investment manager, chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person, which shall include OTC Clear and its sub-custodians).

1A. HOLDING OF SECURITIES

- (a) OTC Clear shall hold Securities for the account of the Clearing Member, subject to the terms of (including the security constituted by) this Deed.

- (b) From time to time, in accordance with the Clearing Rules and Clearing Procedures and in the context of porting of all Contracts in a Client Position Account and the Collateral in respect of the corresponding Client Collateral Account from one Clearing Member ("**Clearing Member A**") to the Clearing Member, OTC Clear may designate that certain non-cash Collateral which it previously held for Clearing Member A are instead held by OTC Clear for the Clearing Member and form part of the Collateral provided by the Clearing Member in satisfaction of its applicable Margin requirements under the Clearing Documentation. Upon such designation, OTC Clear shall hold any such Securities for the Clearing Member, subject to the terms of this Deed.
- (c) OTC Clear will identify in its own books that any Securities are held by it for the account of the Clearing Member (subject to the terms of this Deed) and shall be recorded in a Client Collateral Account, which shall be subject to the Security created or expressed to be created by or pursuant to this Deed. Where OTC Clear holds any such Securities in an account with its sub-custodian(s) (which expression shall include depositories) with any other securities, OTC Clear will take all actions within its control to ensure that such Securities are recorded in accounts with its sub-custodian(s) in which OTC Clear's own assets are not recorded.
- (d) OTC Clear may hold any Securities pursuant to this Clause 2 in one or more omnibus accounts with its sub-custodian(s), together with other securities which it holds for other third parties which have granted a charge over such assets in favour of OTC Clear in a form substantially the same as this Deed, but no other securities. OTC Clear shall ensure that any such omnibus account with its sub-custodian(s) is clearly identified as an account relating to securities held by OTC Clear on behalf of third parties.

[1B. **PRIOR DEED OF CHARGE**

1B.1 **Release**

OTC Clear hereby unconditionally and irrevocably:

- (a) releases and discharges the Released Charged Assets from the Prior Charges constituted, created, evidenced or conferred by or pursuant to the Prior Deed of Charge; and
- (b) releases, discharges, waives, terminates, reassigns and re-transfers to the Clearing Member all its rights, title and interest in the Released Charged Assets, present or future that were assigned, charged or otherwise provided as Prior Charges to OTC Clear by or pursuant to the Prior Deed of Charge.

1B.2 New security

Immediately upon the release pursuant to Clause 1B.1 (*Release*), the Released Charged Assets shall immediately be deemed to be held by OTC Clear in accordance with Clause 1A (*Holding of Securities*) and be subject to the Charges created or expressed to be created by or pursuant to this Deed.

1B.3 Definitions

For the purposes of this Clause 1B:

“Prior Charges” means all or any of the Security created or expressed to be created by or pursuant to the Prior Deed of Charge.

“Prior Deed of Charge” means the Deed of Charge – Client Collateral Accounts between the Parties dated [●].

“Released Charged Assets” means the assets from time to time subject, or expressed to be subject, to the Prior Charges or any part of those assets.]¹

3. SECURITY

The Clearing Member, as beneficial owner of the Securities and as continuing security for the due and punctual payment and discharge of all Liabilities, charges in favour of OTC Clear:

- (a) by way of first fixed charge, all its present and future Securities and Interest and all its present and future rights relating to any of the Securities, including without limitation:
 - (i) its rights relating to or against any custodian, sub-custodian, depository or clearing system, with whom any of the Securities (or rights relating to any of the Securities) may be deposited to the extent of those Securities and/or related rights;
 - (ii) rights it may have against any person to require delivery by that person of any of the Securities or any other applicable assets to it or to its order;
 - (iii) rights (contractually or otherwise) to give instructions relating to the Securities; and
 - (iv) all claims for damages and rights to receive moneys due or to become due for any reason whatsoever in respect of any of the Securities; and
- (b) by way of first fixed charge, all present and future equities of redemption assigned to the Clearing Member as Transferee Clearing Member or

¹ Applicable only to Clearing Members who have previously executed a Deed of Charge with OTC Clear.

Replacement Clearing Member from time to time in connection with the porting of Collateral pursuant to the Clearing Rules and Clearing Procedures.

5. **SECURITIES**

5.1 **Voting before enforcement**

Subject to Clause 5.2 (*Voting after enforcement*), the Clearing Member shall not be entitled to exercise, and shall not be entitled to direct the exercise of, the voting and other rights attached to any Securities.

5.2 **Voting after enforcement**

At any time after the occurrence of a DMP Event with respect to the Clearing Member:

- (a) OTC Clear or the Receiver shall be entitled to exercise or direct the exercise of the voting and other rights attached to any Securities in such manner as it or he sees fit; and
- (b) the Clearing Member shall comply or procure the compliance with any directions of OTC Clear or the Receiver in respect of the exercise of those rights and shall promptly execute and/or deliver to OTC Clear or the Receiver such forms of proxy as it or he requires with a view to enabling such person as it or he selects to exercise those rights.

5.3 **Interest before enforcement**

Subject to Clause 5.4 (*Interest after enforcement*), OTC Clear may, in its sole and absolute discretion, pay, such amounts in respect of cash income derived from the Securities as are specified in the Clearing Rules and Clearing Procedures.

5.4 **Interest after enforcement**

At any time after the occurrence of a DMP Event with respect to the Clearing Member, OTC Clear (or, as the case may be, its nominee) shall be entitled to retain any such cash income derived from the Securities received by it and apply the same in such manner as OTC Clear sees fit.

5.5 **Communications**

The Clearing Member shall promptly deliver to OTC Clear a copy of every circular, notice, report, set of accounts or other documents received by it or its nominee in connection with the Securities or in connection with or from the issuer of any of the Securities.

5.6 **Payment of calls etc.**

The Clearing Member will promptly pay or procure the payment of all calls, instalments or other payments which may at any time become due in respect of any of the Charged Assets.

8. **ENFORCEMENT**

8.1 **When enforceable**

The Charges shall be immediately enforceable on and at any time after the occurrence of a DMP Event with respect to the Clearing Member, and OTC Clear:

- (a) may enforce all or any part of any Charges (at the times, in the manner and on the terms it thinks fit) and take possession and hold or dispose of all or any part of the Charged Assets, including without limitation, instructing Hong Kong Securities Clearing Company Limited to liquidate any Bond Connect Securities that are Securities as its agent via Bond Connect; and
- (b) whether or not it has appointed a Receiver, 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 Deed or otherwise conferred by law.

10. **OTC CLEAR'S RIGHTS**

10.2 **Delegation**

OTC Clear may delegate in any manner to any person any rights exercisable by OTC Clear under this Deed, including without limitation, to Hong Kong Securities Clearing Company Limited in respect of the liquidation of any Bond Connect Securities that are Securities at the instruction of OTC Clear. Any such delegation may be made upon such terms and conditions (including power to sub-delegate) as OTC Clear thinks fit.

15. **SAVING PROVISIONS**

15.3 **Waiver of defences**

Neither the obligations of the Clearing Member under this Deed nor the Charges will be affected by an act, omission, matter or thing which, but for this Clause 15.3, would reduce, release or prejudice any of its obligations under any Contract or Clearing Documentation or any of the Charges (without limitation and whether or not known to it or OTC Clear) including:

- (a) any time, waiver or consent granted to, or composition with, the Clearing Member or other person;
- (b) the release of the Clearing Member or other person under the terms of any composition or arrangement with any creditor of the Clearing Member;

- (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, the Clearing Member 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;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Clearing Member or other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Contract or Clearing Documentation or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Contract or Clearing Documentation or any other document or security; or
- (g) any insolvency or similar proceedings.

15.6 Additional Security

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

SCHEDULE 2
FORM OF BAU PORTING SUPPLEMENTAL ASSIGNMENT LETTER

To: [●] (the “**Transferee Clearing Member**”)
Cc: OTC Clearing Hong Kong Limited (“**OTC Clear**”)
From: [●] (the “**Transferor Clearing Member**”)

[Insert date]

Dear Sirs

1. We refer to:
 - a. the clearing membership agreement between the Transferor Clearing Member and OTC Clear dated [●] (the “**Membership Agreement**”); and
 - b. the porting request made by the Transferee Clearing Member pursuant to Clearing Rule 830 with reference number [●] and dated [●] (the “**Porting Request**”).
2. Terms used and not defined in this letter have the meanings that such terms have for the purposes of the Membership Agreement.
3. To the extent not already assigned pursuant to the Clearing Rules, the Transferor Clearing Member hereby assigns absolutely, on the terms of Clearing Rule 835, to the Transferee Clearing Member any equities of redemption (as defined in the Deed of Charge between the Transferor Clearing Member and OTC Clear in respect of Client Collateral Account(s) (as defined in the Clearing Rules)) held by the Transferor Clearing Member in respect of Collateral that is:
 - a. subject to a Deed of Charge between the Transferor Clearing Member and OTC Clear in respect of Client Collateral Account(s) (as defined in the Clearing Rules); and
 - b. to be ported from the Transferor Clearing Member to the Transferee Clearing Member pursuant to the Porting Request.
4. This letter shall be governed by and construed in accordance with the laws of Hong Kong.
5. The Transferor Clearing Member and Transferee Clearing Member intend this letter to take effect as a deed even if the Transferee Clearing Member only executes it under hand. This letter has been delivered as a deed on the date stated at the beginning of this letter.

SCHEDULE 3
FORM OF DEFAULT PORTING SUPPLEMENTAL ASSIGNMENT LETTER

To: [●] (the “**Replacement Clearing Member**”)
Cc: OTC Clearing Hong Kong Limited (“**OTC Clear**”)
From: [●] (the “**Defaulting Clearing Member**”)

[Insert date]

Dear Sirs

1. We refer to:
 - a. the clearing membership agreement between the Defaulting Clearing Member and OTC Clear dated [●] (the “**Membership Agreement**”); and
 - b. the Porting Instructions submitted to OTC Clear pursuant to Clearing Rule 822 with reference number[s] [●] and dated [●] (the “**Porting Instructions**”).
2. Terms used and not defined in this letter have the meanings that such terms have for the purposes of the Membership Agreement.
3. To the extent not already assigned pursuant to the Clearing Rules, the Defaulting Clearing Member hereby assigns absolutely, on the terms of Clearing Rule 1703, to the Replacement Clearing Member any equities of redemption (as defined in the Deed of Charge between the Defaulting Clearing Member and OTC Clear in respect of Client Collateral Account(s) (as defined in the Clearing Rules)) held by the Defaulting Clearing Member in respect of Collateral that is:
 - a. subject to a Deed of Charge between the Defaulting Clearing Member and OTC Clear in respect of Client Collateral Account(s) (as defined in the Clearing Rules);
 - b. recorded in the Client Clearing Category 1 Collateral Account (as defined in the Clearing Rules) relating to the Client referred to in the Porting Instructions; and
 - c. to be ported from the Defaulting Clearing Member to the Replacement Clearing Member pursuant to Clearing Rule 1703.
4. To the extent not already assigned pursuant to the Clearing Rules, the Defaulting Clearing Member hereby assigns absolutely, on the terms of Clearing Rule 1704, to the Replacement Clearing Member any equities of redemption (as defined in the Deed of Charge between the Defaulting Clearing Member and OTC Clear in respect of Client Collateral Account(s) (as defined in the Clearing Rules)) held by the Defaulting Clearing Member in respect of Collateral that is:
 - a. subject to a Deed of Charge between the Defaulting Clearing Member and OTC Clear in respect of Client Collateral Account(s) (as defined in the Clearing Rules);
 - b. recorded in the Client Clearing Category 2 Collateral Account (as defined in the Clearing Rules) relating to (amongst others) the Client referred to in the Porting Instructions; and

- c. to be ported from the Defaulting Clearing Member to the Replacement Clearing Member pursuant to Clearing Rule 1704.
- 5. This letter shall be governed by and construed in accordance with the laws of Hong Kong.
- 6. The Defaulting Clearing Member and Replacement Clearing Member intend this letter to take effect as a deed even if the Replacement Clearing Member only executes it under hand. This letter has been delivered as a deed on the date stated at the beginning of this letter.

Glossary

Defined Term

CMU Settlement Day
HKSCC

Page No

3 / [56]
8 / [9]

PRC Clearing Member Schedule

This Schedule sets out certain amendments to the Clearing Rules and Clearing Procedures that are applicable to Clearing Members incorporated in the People's Republic of China (excluding, Hong Kong, Macao Special Administrative Region, and the Taiwan area) (“**PRC**”). For the avoidance of doubt, this Schedule shall only apply to Clearing Members who are incorporated in the PRC.

Amendments to the Clearing Rules

3. Clearing Rule 1303 shall be replaced in its entirety with the following:
 1303. “The occurrence of an event described in paragraph (4A) under the definition of Insolvency Proceedings with respect to a Clearing Member will constitute an “**Automatic Early Termination Event**” in respect of such Clearing Member. Where an Automatic Early Termination Event has occurred with respect to a Clearing Member, an Early Termination Date in respect of all Contracts then registered in the name of such Clearing Member shall occur immediately upon the occurrence of the relevant event; and in each case, without the need for any other or prior notice or determination by OTC Clear. With effect from, and including, the date on which an Early Termination Date occurs with respect to all Contracts registered in a name of a Clearing Member as a result of an Automatic Early Termination Event, such Clearing Member shall become a Defaulting Clearing Member.”
4. The following shall be inserted after Clearing Rule 1316(3):
 - “(4) If any Early Termination Date is deemed to have occurred under Clearing Rule 1303 as a result of the occurrence of an Automatic Early Termination Event, the Defaulting Clearing Member shall fully indemnify OTC Clear on demand against all expense, loss, damage or liability that OTC Clear may incur in respect of each Contract as a consequence of the movements in interest rates, currency exchange rates or market quotations between the Early Termination Date and the date upon which OTC Clear first becomes aware that the Early Termination Date has occurred under Clearing Rule 1303.”

Amendments to the Clearing Procedures

5. The first paragraph of paragraph 8.6.1 of the Clearing Procedures shall be replaced in its entirety with the following:

“The entire Auction process may take a number of days, but is expected to be completed (i) as soon as reasonably practicable and (ii) no later than 30 calendar days from the commencement of the Auction process. Auction Portfolios may be auctioned at different times. Each Auction Portfolio shall be subject to its own Auction.”