

CHAPTER VII

THE RESERVE FUND AND LOSS DISTRIBUTION PROCESS

General

701. (a) The Clearing House shall establish a fund to provide resources to assist the Clearing House in meeting its obligations under Contracts registered pursuant to Rule 308A(e) or arising pursuant to Rule 309 or Rule 313. That fund shall constitute the Reserve Fund which shall be used only if the Clearing House is unable to meet its liabilities under Contracts by reason of defaults by HKCC Participants and shall be used only in accordance with the following Rules.
- (aa) (deleted)
- (ab) For the purpose of calculating the Reserve Fund size under Section 4.1 of the Clearing House Procedures, the Clearing House may, from time to time in its absolute discretion, prescribe an amount which is projected to be the maximum required size for the time being of the Reserve Fund, known as the Reserve Fund Threshold, taking into account such relevant factors as it shall consider appropriate, including any historical data and prevailing market conditions.
- (ac) In addition to establishing the Reserve Fund, the Clearing House may put in place an arrangement in the form of an HKCC Participant Additional Deposits Credit to each HKCC Participant, up to such limit as the Clearing House may from time to time determine in its absolute discretion. For the avoidance of doubt, such limit may be determined by the Clearing House on an HKCC Participant basis. The HKCC Participant Additional Deposits Credit shall only be utilized for the purpose of reducing the amount of HKCC Participant Additional Deposits (other than any Assessment and Voluntary Recap Amount) payable by an HKCC Participant to the Clearing House in accordance with the Clearing House Procedures. The amount of HKCC Participant Additional Deposits Credit utilized by an HKCC Participant may be applied by the Clearing House towards satisfaction of an HKCC Participant's share of liabilities in accordance with Rule 706, subject to the following:
- (i) The arrangement of allowing an HKCC Participant Additional Deposits Credit to each HKCC Participant is put in place by the Clearing House with the financial support of HKEX. Neither HKEX nor the Clearing House shall be required to make any actual payment to an HKCC Participant at any time in respect of the whole or any part of the HKCC Participant Additional

Deposits Credit that has been utilized and/or applied as above mentioned.

- (ii) Unless otherwise determined by the Clearing House, where the whole or any part of the amount of HKCC Participant Additional Deposits Credit utilized by an HKCC Participant is applied by the Clearing House towards satisfaction of an HKCC Participant's share of the remaining liabilities pursuant to Rule 706, the HKCC Participant Additional Deposits Credit to be allowed to an HKCC Participant thereafter will correspondingly be reduced by the amount applied.
- (b) Notwithstanding that the Reserve Fund and other resources and credits may be utilized and applied to satisfy any obligations and liabilities in relation to an event of default, this shall in no way prejudice the Clearing House's right to recover such sums in full, including the following, from the Defaulter as a result of its event of default:
- (i) any amount paid out of the Reserve Fund pursuant to Rule 706;
 - (ii) any amount of HKCC Participant Additional Deposits Credit utilized and applied to satisfy any obligations and liabilities pursuant to Rule 706;
 - (iii) any Voluntary Recap Amount applied pursuant to Rule 709;
 - (iv) any amount of Gainer VA Flow Adjustment paid by the non-defaulting HKCC Participants pursuant to Rules 710 to 714; and
 - (v) any unpaid amount of Termination Value Payable by the Defaulter pursuant to section 2.13 of the Clearing House Procedures.

Monies recovered from the Defaulter (less any uncovered costs and expenses of recovery) may, but need not necessarily, be repaid to the relevant HKCC Participants and the Clearing House, subject to the terms of any relevant guarantee, bank facility or policy of insurance. If the amounts recovered are repaid to the relevant HKCC Participants and the Clearing House, it would be in the reverse order of priority and on the same pro rata basis with reference to the amounts and credits that have been utilized and applied to satisfy the liabilities and obligations in relation to an event of default including:

- (i) any amount paid out of the Reserve Fund pursuant to Rule 706;
- (ii) any amount of HKCC Participant Additional Deposits Credit utilized and applied to satisfy any obligations and liabilities pursuant to Rule 706;

- (iii) any Voluntary Recap Amount applied pursuant to Rule 709; and
- (iv) any amount of Gainer VA Flow Adjustment paid by the non-defaulting HKCC Participants pursuant to Rules 710 to 714.

It may be a term of any guarantee, facility or insurance policy that recoveries from the Defaulter be applied in a particular fashion other than repaid to the relevant HKCC Participants or the Clearing House, in which case the recoveries shall be applied in accordance with such term.

To the extent that the amount repaid to the Clearing House represents the financial support provided by HKEX, the Clearing House will pay the relevant amount received by it to HKEX.

Accounts and accounting

702. (a) The Clearing House shall earmark the Reserve Fund in its accounts and maintain a separate record in respect of the Reserve Fund so that –
- (i) all amounts standing to the credit of;
 - (ii) all resources appropriated or which may under these Rules be appropriated by the Clearing House as contributions to; and
 - (iii) all guarantees, facilities or policies inuring for the benefit of
- the Reserve Fund from time to time shall be apparent from the accounts and so that it is apparent whether any of such amounts, guarantees, facilities or policies are of limited application, being available to support the Clearing House's obligations only under particular Contracts or classes of Contract. Without prejudice to the aforesaid, the Clearing House shall maintain a separate account in respect of all the HKCC Participant's Deposits and HKCC Participant Additional Deposits made or required to be made by HKCC Participants to the Reserve Fund.
- (b) Simultaneously with the annual audit of the accounts of the Clearing House, the Clearing House shall request its auditors to prepare a report on the Reserve Fund for circulation to the Commission and, upon request, to HKCC Participants.

Notify resources of Reserve Fund

703. The Clearing House shall notify HKCC Participants and the Commission on a regular basis of the resources available to the Reserve Fund, comprising the amounts standing to the credit of the Reserve Fund and the policies, guarantees and facilities available to support the Reserve Fund, and shall notify HKCC Participants and the Commission as to whether any part or parts of such

resources is or are limited in application, being available to support the Clearing House's obligations only under particular Contracts or classes of Contracts.

Appropriations to Reserve Fund

704. (a) In the event that payments out of the Reserve Fund under subparagraph (iv) of Rule 706(c) are required, the Clearing House will appropriate its resources as contributions to the Reserve Fund. The appropriation should amount to 10% or such other percentage of the Reserve Fund size as the Clearing House may determine from time to time.
- (b) All HKCC Participant's Deposits and HKCC Participant Additional Deposits shall be credited to the Reserve Fund promptly upon receipt.

Support for Reserve Fund

705. The Clearing House may arrange insurance policies, guarantees or any other facilities or source of revenue for the purpose of providing additional resources to the Reserve Fund. Any such policy or guarantee or other facility may be expressed to be available to support the Clearing House's obligations under all Contracts, or only under particular Contracts or classes of Contract.
- 705A. For the purpose of providing further additional resources to the Reserve Fund, the Clearing House shall from time to time require HKCC Participants to pay such amounts by way of HKCC Participant Additional Deposits as the Clearing House determines necessary in accordance with the Clearing House Procedures. HKCC Participant Additional Deposits shall be applied by the Clearing House to the Reserve Fund in accordance with the HKCC Rules. For the avoidance of doubt, the HKCC Participant Additional Deposits Credit arrangements put in place by the Clearing House are not an (i) additional arrangement for the purposes of providing additional resources to the Reserve Fund; or (ii) appropriation of the Clearing House's resources to the Reserve Fund.

Use and order of application of Reserve Fund and application of HKCC Participant Additional Deposits Credit

706. (a) Except as provided in Rule 708, amounts standing to the credit of the Reserve Fund may be applied only in respect of the Clearing House's liabilities which arise by virtue of its being a counterparty to every Contract registered with and cleared by it (including but not limited to the expenses involved in making recoveries against Defaulters). If, in the opinion of the Clearing House, the resources of the Reserve Fund are at any time liable to be fully depleted or are at any time at a level which is unlikely to satisfy all such liabilities, the resources of the Reserve Fund shall be applied to all such liabilities on a pro rata basis or in such other manner as the Clearing House may consider fair and appropriate.

- (b) The Clearing House may agree or arrange with any person (including but not limited to HKCC Participants) that any of the amounts standing to the credit of the Reserve Fund shall be available to support the Clearing House's obligations only under particular Contracts or classes of Contract or that any such amounts shall be applied in a particular order of priority.
- (c) Subject to any agreement or arrangement pursuant to Rule 706(b), the amounts standing to the credit of the Reserve Fund shall be applied towards any payment permitted by Rule 706(a) in the following order of priority: -
 - (i) First, the HKCC Participant's Deposit and HKCC Participant Additional Deposit of the Defaulter;
 - (ii) Second, interest income credited to the Reserve Fund;
 - (ii) Third, the proceeds of any insurance policy arranged pursuant to Rule 705;
 - (iv) Fourth, the Clearing House's resources appropriated as contributions to the Reserve Fund from time to time;
 - (v) Fifth, the HKCC Participant's Deposits of other HKCC Participants;
 - (vi) Sixth, the proceeds of any guarantee or facility arranged pursuant to Rule 705; and
 - (vii) Seventh, the HKCC Participant Additional Deposits of other HKCC Participants
- (d) (deleted)
- (da) For the purposes of sub-paragraphs (v) and (vii) of Rule 706(c), if after the date of default of a Defaulter, an HKCC Participant has itself been declared as a Defaulter, any prevailing amounts standing to the credit of its HKCC Participant's Deposit and HKCC Participant Additional Deposit shall be applied towards the default of the other Defaulter and its own default in such manner as the Clearing House may consider appropriate.
- (db) In the event that there are outstanding liabilities of the Clearing House remaining after the application under sub-paragraph (i) of Rule 706(c), the Clearing House will first apply the amount of HKCC Participant Additional Deposits Credit utilized by the Defaulter on the Business Day immediately before the start of the Capped Liability Period to satisfy the outstanding liabilities, prior to making any further payments out of the

Reserve Fund in accordance with the order set out in sub-paragraphs (ii) to (vii) of Rule 706(c).

- (e) The amount of HKCC Participant's Deposit in respect of each HKCC Participant to be applied pursuant to sub-paragraph (v) of Rule 706(c) shall be calculated on a pro rata basis by reference to the HKCC Participant's share of the total HKCC Participant's Deposits on the Business Day immediately before the start of the Capped Liability Period, excluding the portions contributed by any Defaulter and any HKCC Participant whose HKCC Participantship has been effectively terminated or revoked by the Clearing House at or prior to the start of the Capped Liability Period. The amount of HKCC Participant Additional Deposit in respect of each HKCC Participant to be applied pursuant to sub-paragraph (vii) of Rule 706(c) shall be calculated in accordance with sub-paragraph (f) below. Following such application, the Reserve Fund Deposits Balance of each relevant HKCC Participant shall be reduced by an amount equal to the amount so applied in respect of such HKCC Participant. Notwithstanding the aforesaid, if at or prior to the start of the Capped Liability Period, the HKCC Participantship of an HKCC Participant is effectively terminated or revoked, its HKCC Participant's Deposit and HKCC Participant Additional Deposit will not be applied towards the default, and if at or prior to the start of the Capped Liability Period, an HKCC Participant has itself been declared as a Defaulter, its HKCC Participant's Deposit and HKCC Participant Additional Deposit will only be applied towards its own default.
- (f) The amount of HKCC Participant Additional Deposits in respect of each HKCC Participant to be applied pursuant to sub-paragraph (vii) of Rule 706(c) shall be determined as follows:
 - (i) The Clearing House will first calculate the HKCC Participant's share of the outstanding liabilities by reference to the HKCC Participant's share of the sum of HKCC Participant Additional Deposits and HKCC Participant Additional Deposits Credit utilized in respect of all the HKCC Participants on the Business Day immediately before the start of the Capped Liability Period, excluding the portions contributed by any Defaulter and any HKCC Participant whose HKCC Participantship has been effectively terminated or revoked at or prior to the start of the Capped Liability Period; and
 - (ii) The HKCC Participant's share of the outstanding liabilities calculated under sub-paragraph (i) above shall be borne by way of (a) payment of its HKCC Participant Additional Deposits out of the Reserve Fund pursuant to paragraph (vii) of Rule 706(c) and (b) the application by the Clearing House of the HKCC Participant Additional Deposits Credit utilized by such HKCC Participant on a pro-rata basis, by reference to their respective

proportions as compared to the sum of its HKCC Participant Additional Deposits and HKCC Participant Additional Deposits Credit utilized on the Business Day immediately before the start of the Capped Liability Period, provided that the amount borne by the HKCC Participant Additional Deposits Credit utilized shall not exceed the HKCC Participant Additional Deposits Credit allowed to such HKCC Participant. Any amount in excess of the HKCC Participant Additional Deposits Credit allowed to such HKCC Participant shall be borne by the HKCC Participant by way of the HKCC Participant Additional Deposits.

- (g) Where the whole or any part of the amount(s) of HKCC Participant Additional Deposits Credit utilized is applied to satisfy the outstanding liabilities pursuant to this Rule 706, the Defaulter shall be liable to repay to the Clearing House the relevant amounts and the Clearing House shall be entitled to recover the amounts from such Defaulter, without prejudice to any other rights which the Clearing House may have. To the extent that the amount recovered by the Clearing House from such Defaulter represents the financial support provided by HKEX, the Clearing House will pay the amount received by it to HKEX.

706A. (deleted)

706B. (deleted)

706C. (deleted)

706D. (deleted)

Assessments

707. (a) (deleted)

(b) (deleted)

- 707A. (a) Upon the occurrence of an event of default, where all or part of the Reserve Fund is applied pursuant to Rule 706 or the Clearing House determines that the resources available to the Clearing House under the Reserve Fund and those that may be applied under Rules 510(e) , 510(g) and 706 will not be sufficient to satisfy the obligations and liabilities of the Clearing House in relation to an event of default, the Clearing House may demand each HKCC Participant (excluding any HKCC Participant specified under Rule 707A(b)) to provide such additional contributions (i) to bring the Reserve Fund to the same level as that before any application is made or to be made; and/or (ii) to provide such additional contributions as the Clearing House may require to meet any obligations and liabilities in relation to an event of default, subject to the limit set out in Rule 707A(aa) (“Assessments”). Any Assessment provided by an HKCC

Participant shall form part of its Reserve Fund Deposits Balance.

- (aa) In respect of one or more events of default occurring during a Capped Liability Period, the aggregate liability of an HKCC Participant to provide Assessments during a Capped Liability Period shall be limited to an amount which is equal to its HKCC Participant's Deposit required and its HKCC Participant Additional Deposit calculated pursuant to Chapter 4 of the Clearing House Procedures on the Business Day immediately preceding the start of the Capped Liability Period, plus one time such amount.

For example, assume that the HKCC Participant's Deposit required is HK\$1,500,000 and the HKCC Participant Additional Deposit calculated is HK\$1,000,000 on the Business Day immediately preceding the start of the Capped Liability Period. In this case, the maximum liability of the HKCC Participant to provide Assessments during a Capped Liability Period would be HK\$5,000,000 (i.e. two times the aggregate of its HKCC Participant's Deposit of HK\$1,500,000 and HKCC Participant Additional Deposit of HK\$1,000,000).

- (b) Assessments shall not be required from HKCC Participants which have been declared as a Defaulter on the day such Assessments are demanded or whose HKCC Participantships have been effectively terminated or revoked by the Clearing House at or prior to the start of the Capped Liability Period. For the avoidance of doubt, the obligations and liabilities of an HKCC Participant to provide Assessments under Rule 707A in respect of any events of default which occur during a Capped Liability Period which commenced prior to the termination of its HKCC Participantship shall survive the termination of the HKCC Participantship notwithstanding the fact that the expiry of such Capped Liability Period occurs after termination, provided that the aggregate liability of the HKCC Participant shall be limited as provided for in Rule 707A(aa).
- (c) The Clearing House shall notify HKCC Participants of any demand for Assessments by issuing a written notice ("Notice of Assessment") as the Clearing House considers appropriate. The Clearing House may demand such Assessments to be satisfied before, after or at the same time that an application is made under Rule 706. All demands for Assessments must be met by cash payment in Hong Kong dollars or in any other currency prescribed by the Clearing House from time to time no later than the first Business Day after the demand is made by the Clearing House or within such other time period as may be specified by the Clearing House.

Replenishment of Reserve Fund

707B. Following the occurrence of an event of default, any recalculation of the Reserve Fund size apart from under Rule 707A shall be suspended during the relevant Capped Liability Period. Upon the expiry of the relevant Capped

Liability Period, the Clearing House shall assess the adequacy of the Reserve Fund and determine the Reserve Fund Deposits requirement of each HKCC Participant in accordance with Chapter 4 of the Clearing House Procedures. Subject to Rule 707D, the Clearing House will notify the HKCC Participant of any replenishment amount required as Reserve Fund Deposits as a result of the recalculation. The HKCC Participant shall make such Reserve Fund Deposits no later than the first Business Day after the date of the notice, or within such other time period as may be specified by the Clearing House. Any such Reserve Fund Deposits made by an HKCC Participant following the expiry of such Capped Liability Period shall only be applied in respect of the events of default which occur after the expiry of the relevant Capped Liability Period and shall not be applied in respect of any event of default that occurred prior to the expiry of such Capped Liability Period.

- 707C. Following the expiry of a Capped Liability Period following an event of default, if the whole or any part of the Clearing House's appropriation to the Reserve Fund is applied in accordance with Rule 706, the Clearing House shall make appropriations for the deficiency of its appropriation to the Reserve Fund following the same replenishment time period as specified in Rule 707B, subject to the approval of the Board and regulatory capital requirements applicable to the Clearing House. Any part of the Clearing House's appropriation to the Reserve Fund following the expiry of such Capped Liability Period shall only be applied in respect of the events of default which occur after the expiry of the relevant Capped Liability Period and shall not be applied in respect of any event of default that occurred prior to the expiry of such Capped Liability Period.

Resignation of HKCC Participantship for limiting liability following the expiry of the Capped Liability Period

- 707D. (a) Where an HKCC Participant wishes to resign its participantship to limit its liability to any subsequent events of default that may occur following the expiry of the applicable Capped Liability Period, it must:
- (i) submit a Resignation Notice to the Clearing House and receive an acknowledgement from the Clearing House;
 - (ii) successfully close out, trade out, transfer, settle or otherwise discharge its liabilities in respect of all open Contracts registered in its house clearing account and any clearing account which is not of a Client nature in accordance with the Rules prior to the expiry of the Capped Liability Period; and
 - (iii) either: (a) successfully close out, trade out, transfer, settle or otherwise discharge its liabilities in respect of all open Contracts registered in its Client clearing accounts and any clearing account which is of a Client nature in accordance with the Rules prior to the expiry of the applicable Capped Liability Period or (b) notify the Clearing House

that it wishes to extend the period for the winding down of open Contracts registered in its Client clearing accounts and any clearing account which is of a Client nature until the date which falls 5 Business Days from the date of expiry of the applicable Capped Liability Period. If an HKCC Participant sends a notification pursuant to Rule 707D(a)(iii)(b) above it must provide collateral, by way of additional margin, which is at least equal to the net projected loss (projected aggregate loss less General Collateral (excluding any excess collateral) and any margin) arising from such open Contracts registered in the Client clearing accounts and any clearing account which is of a Client nature as communicated by the Clearing House until the time at which any remaining open positions in its Client clearing accounts and any clearing account which is of a Client nature have been successfully closed out, traded out, transferred, settled or any liabilities in respect of such open positions have been discharged in accordance with the Rules.

- (b) If the conditions set out in Rule 707D(a) are not met, the HKCC Participant will be subject to the replenishment of Reserve Fund Deposits pursuant to Rule 707B (and liabilities thereto) upon the expiry of the applicable Capped Liability Period.

Payments out of Reserve Fund

- 708. (a) In addition to its power to make payments out of the Reserve Fund in respect of the liabilities referred to in Rule 706(a), the Clearing House may make payments out of the Reserve Fund in accordance with the following provisions of this Rule.
 - (aa) The Clearing House may apply any amounts standing to the credit of the Reserve Fund as a short-term source of liquid funds to meet any immediate obligations under Contracts registered pursuant to Rule 308A(e) or arising pursuant to Rule 309 or Rule 313 on a temporary basis, regardless of the order of priority set out in Rule 706.
 - (b) The Clearing House may apply any amounts standing to the credit of the Reserve Fund (other than any amount representing HKCC Participant's Deposits and any HKCC Participant Additional Deposits) which are in the opinion of the Clearing House surplus to the requirements of the Reserve Fund in such manner as the Clearing House thinks fit, including appropriation of such moneys out of the Reserve Fund temporarily or permanently.
 - (c) For the purposes of Rules 217 and 519(d) the Clearing House may withdraw from the Reserve Fund and reimburse to an HKCC Participant an amount equal to an HKCC Participant's Deposit and any HKCC Participant Additional Deposit (or such lesser amount as is payable in accordance with the provisions of those Rules).

Voluntary Recapitalization

709. (a) If the Clearing House determines at any stage that the loss arising from an event of default is expected to exceed the financial resources available including the Reserve Fund and the relevant amount received or to be received under Rule 707A and those available to be applied under Rules 510(e), 510(g) and 706, the Clearing House may issue a written notice (the “Voluntary Recap Request Notice”) requesting each HKCC Participant to make a payment of funds (each a “Voluntary Recap Amount”) to the Clearing House.
- (b) Upon receipt of a Voluntary Recap Request Notice issued by the Clearing House in accordance with Rule 709(a), an HKCC Participant may, but is not obliged to, provide its Voluntary Recap Amount to the Clearing House within one Business Day following receipt of the Voluntary Recap Request Notice. The Voluntary Recap Amount provided by HKCC Participants must be met by cash payment in Hong Kong dollars or in any other currency prescribed by the Clearing House from time to time. Any Voluntary Recap Amount made by an HKCC Participant to the Clearing House may not be withdrawn.
- (c) Any Voluntary Recap Amount received by the Clearing House from an HKCC Participant shall form part of the Reserve Fund Deposits Balance of such HKCC Participant after such Voluntary Recapitalization is declared successful by the Clearing House, and the application of such amount will be subject to Rule 706.
- (d) If the total Voluntary Recap Amount received by the Clearing House is less than the aggregate of the Voluntary Recap Amounts requested by the Clearing House from the HKCC Participants, any amounts received will be refunded to the relevant HKCC Participants on the next Business Day and will not form part of the HKCC Participant Additional Deposits or Reserve Fund Deposits Balances of the relevant HKCC Participants.

Loss Distribution Process

710. On each Business Day during the Loss Distribution Period, the Clearing House will determine whether the loss resulting from an event of default will exceed the resources available to the Clearing House including the relevant amount received under Rule 709 and those available to be applied pursuant to Rules 510(e), 510(g) and 706 with respect to such event of default. If it does, then the Clearing House will consult with the Commission and may either invoke the “Loss Distribution Process” set out in Rules 710 to 714 or invoke the Clearing Service Termination Event as set out in Rules 1101 to 1104.
711. If the Loss Distribution Process applies, then on each Business Day during the Loss Distribution Period:

- (a) the Clearing House will determine whether a clearing account registered in the name of a non-defaulting HKCC Participant is a Clearing Account Gainer or a Clearing Account Loser;
- (b) if the clearing account registered in the name of a non-defaulting HKCC Participant is a Clearing Account Gainer, and the Gainer VA Flow Adjustment calculated for a Currency VA Payment in respect of that clearing account for that Business Day is a positive number, the relevant non-defaulting HKCC Participant shall pay an amount equal to such Gainer VA Flow Adjustment to the Clearing House. If the clearing account registered in the name of a non-defaulting HKCC Participant is a Clearing Account Gainer and the Gainer VA Flow Adjustment calculated for a Currency VA Payment in respect of that clearing account for that Business Day is a negative number, the Clearing House shall pay to the relevant non-defaulting HKCC Participant an amount equal to the absolute value of such Gainer VA Flow Adjustment; and
- (c) if the clearing account registered in the name of a non-defaulting HKCC Participant is a Clearing Account Loser, the Clearing House shall pay to the relevant non-defaulting HKCC Participant an amount equal to the absolute value of such negative Loser VA Flow Adjustment calculated for a Currency VA Payment in respect of that clearing account for that Business Day.

For the purpose of the calculations and adjustments conducted under the Loss Distribution Process, each clearing account of a non-defaulting HKCC Participant will be treated separately.

- 712. On each Business Day during the Loss Distribution Period, the Clearing House will apply the exchange rate determined by the Clearing House from such source and on such basis as it shall consider appropriate, in making the calculations required to be made under the Loss Distribution Process, including components which relate to payments made, or falling due, on previous days.
- 713. On each loss distribution day, the Clearing House shall apply set-off with respect to any payment or receipt of any VA Flow Adjustment on such day against any payments denominated in the same Settlement Currency as such VA Flow Adjustment payable to, or receivable from, the relevant HKCC Participant.
- 714. Without prejudice to Rules 310, 515A, 545 to 551 and 1101, in the absence of manifest error, any VA Flow Adjustment determined by the Clearing House shall be final and conclusive. Any application of a Gainer VA Flow Adjustment resulting in a reduction of Currency VA Payment by the Clearing House to a non-defaulting HKCC Participant shall not constitute a failure to pay by the Clearing House.