

## Chapter 3

### Rates and FX Clearing Services and Clearing Link Services

#### 3.1 Overview

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

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

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

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

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

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

#### 3.2 Approved Trade Registration System

OTC Clear does not discriminate or distinguish between Original Transactions or Original Northbound Transactions based upon execution method or venue. However, Original Transactions or Original Northbound Transactions will be accepted only if they are submitted through an approved matching and confirmation service for over-the-counter derivatives transactions designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice (each an "**Approved Trade Registration System**"). Any Original Transaction or Original Northbound Transaction submitted to OTC Clear through an Approved Trade Registration System shall be deemed to be submitted for or by the relevant Clearing Member. In circumstances where the registration of an Original Transaction or

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

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

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

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

### **3.3 Process of Registration and Rejection**

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

Each Original Transaction and Original Northbound Transaction submitted to OTC Clear for registration is required to satisfy all applicable Eligibility Requirements in order to be accepted for clearing. Any Original Transaction or Original Northbound Transaction which contains any invalid or incomplete trade data will be rejected and will not be cleared.

Original Transactions submitted for registration before 19:00 hours Hong Kong time on an OTC Clear Clearing Day will be processed on the same day. Original Transactions submitted for registration on a day which is not an OTC Clear Clearing Day, or at or after 19:00 hours Hong Kong time on an OTC Clear Clearing Day, will be processed on the next OTC Clear Clearing Day. If the relevant Clearing Member does not have sufficient Margin in the relevant Collateral Account to satisfy the "Margin Process" check as set out in section 4.6 of these Clearing Procedures, the relevant Original

Transaction will be put on “pending” status and flagged as “WAIT\_MARGIN”, “LIMIT\_FAILED” or “PROCESSING” in the “OTC Clear Trade Report (Report Number TDRP03, TDRP04, TDRP12 or TDRP17)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP03\_C, TDRP04\_C, TDRP12\_C or TDRP17\_C)” in relation to any Client Position Account.

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

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

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

---

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

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

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

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

## **3.4 Product Eligibility Requirements**

### **3.4.1 General Requirements for an Original Non Deliverable Rates Derivatives Transaction and Original Non Deliverable FX Derivatives Transaction**

OTC Clear will accept an Original Transaction for registration only if:

- (i) to the extent that a particular subject matter or data field appearing in an Original Non Deliverable Rates Derivatives Transaction is prescribed for in the ND IRS Template, the election made with respect to such subject matter or data field in the Original Non Deliverable Rates Derivatives Transaction is consistent with that prescribed for in the relevant ND IRS Template; and
- (ii) to the extent that a particular subject matter or data field appearing in an Original Non Deliverable FX Derivatives Transaction is prescribed for in the EMTA Template, the election made with respect to such subject matter or data field in the Original Non Deliverable FX Derivatives Transaction is consistent with that prescribed for in the relevant EMTA Template.

**3.4.2 Specific Requirements for an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction, and an Original Non Deliverable Rates Derivatives Transaction**

3.4.2.1 OTC Clear will only accept the types of Original Standard Rates Derivatives Transaction, Original Standard Cross-currency Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction for registration as set out in the table as follows:

Instrument		Currencies / Currency Pairs (swap and FX)	Floating Rate Option	Maximum Residual Term	Designated Maturity
Original Standard Rates Derivatives Transactions	Single currency interest rate swaps	USD	USD-SOFR-OIS Compound	16 years	Not Applicable
			USD-Federal Funds-OIS Compound		
			USD-SOFR		
		EUR	EUR-EURIBOR	11 years	One month, three months, six months and one year
			EUR-EuroSTR-OIS Compound	11 years	Not Applicable
		HK\$	HKD-HIBOR	16 years	One month, three months, six months and one year
	HKD-HONIA-OIS Compound		16 years	Not Applicable	
	CNY (offshore)	CNY-SHIBOR	11 years	One month, three months, six months and one year	
		CNH-HIBOR			
	Single currency basis swaps	USD	(a) USD-SOFR-OIS Compound vs (b) USD-Federal Funds-OIS Compound	16 years	(a), (b) & (c): Not Applicable
(b) USD-Federal Funds-OIS Compound vs (c) USD-SOFR					
EUR		EUR-EURIBOR	11 years	One month, three months, six months and one year	

Instrument		Currencies / Currency Pairs (swap and FX)	Floating Rate Option	Maximum Residual Term	Designated Maturity
			(a) EUR-EuroSTR-OIS Compound vs (b) EUR-EURIBOR	11 years	(a): Not Applicable; (b): One month, three months, six months and one year
		HK\$	HKD-HIBOR	16 years	One month, three months, six months and one year
			(a) HKD-HONIA-OIS Compound vs (b) HKD-HIBOR	16 years	(a): Not Applicable; (b): One month, three months, six months and one year
Original Standard Cross- currency Rates Derivatives Transactions	Cross-currency interest rate swaps and Cross-currency basis swaps	CNY (offshore) and USD	CNY (offshore): (a) CNH-HIBOR (b) CNY-SHIBOR	11 years	(a) & (b) One month, three months, six months and one year; (c) & (d): Not Applicable
			USD: (c) USD-SOFR (d) USD-SOFR-OIS Compound		
		HK\$ and USD	HK\$: (a) HKD-HIBOR (b) HKD-HONIA-OIS Compound	16 years	(a): One month, three months, six months and one year; (b), (c) & (d): Not Applicable
			USD: (c) USD-SOFR (d) USD-SOFR-OIS Compound		
		CNY	CNY-Fixing Repo Rate	5.5 years	Not Applicable

Instrument		Currencies / Currency Pairs (swap and FX)	Floating Rate Option	Maximum Residual Term	Designated Maturity
Original Non Deliverable Rates Derivatives Transactions	Non-deliverable interest rate swaps	INR	INR-MIBOR-OIS Compound	11 years	Not Applicable
		KRW	KRW-CD-91D	11 years	Three months
		MYR	MYR-KLIBOR	11 years	Three months
		TWD	TWD-TAIBOR	11 years	Three months

### 3.4.2.2 Day Count Fraction

OTC Clear will only accept the Floating Rate Day Count Fractions as follows:

Instrument		Currencies	Floating Rate Day Count Fraction
Original Standard Rates Derivatives Transactions	Single currency interest rate swaps	USD	Actual/360
		EUR	Actual/360
		HK\$	Actual/365 (Fixed)
		CNY (offshore)	Actual/360 and Actual/365 (Fixed)
	Single currency basis swaps	USD	Actual/360
		EUR	Actual/360
HK\$		Actual/365 (Fixed)	
Original Standard Cross-currency Rates Derivatives Transactions	Cross-currency interest rate swaps	USD	Actual/360
		CNY (offshore)	Actual/360 and Actual/365 (Fixed)
		HK\$	Actual/365 (Fixed)
	Cross-currency basis swaps	USD	Actual/360
		CNY (offshore)	Actual/360 and Actual/365 (Fixed)
		HK\$	Actual/365 (Fixed)
Original Non Deliverable Rates	Non-deliverable interest rate swaps	CNY	Actual/365 (Fixed)
		INR	Actual/365 (Fixed)
		KRW	Actual/365 (Fixed)

Instrument		Currencies	Floating Rate Day Count Fraction
Derivatives Transactions		MYR	Actual/365 (Fixed)
		TWD	Actual/365 (Fixed)

OTC Clear will accept any of the following Fixed Rate Day Count Fractions:

- (i) Actual/Actual;
- (ii) Actual/365 (Fixed);
- (iii) Actual/360;
- (iv) 30/360;
- (v) 30E/360;
- (vi) 30E/360 (ISDA); and
- (vii) Actual/Actual (ICMA).

#### 3.4.2.3 Business Day for Payment Dates

- (i) with regard to an Original Standard Rates Derivatives Transaction, OTC Clear will accept such Original Standard Rates Derivatives Transaction for registration only if the financial center(s) as shown in the table below in the column entitled "Mandatory Financial Center" and marked against the relevant Contractual Currency has/have been elected for such Original Standard Rates Derivatives Transaction for the purpose of determining Payment Dates:

Contractual Currencies	Mandatory Financial Center
USD	New York
EUR	TARGET
HK\$	Hong Kong
CNY (offshore)	Beijing and Hong Kong

Additional financial center(s) (as set out in Appendix II to these Clearing Procedures) may also be elected (irrespective of the Contractual Currency of the Original Standard Rates Derivatives Transaction) for such Original Standard Rates Derivatives Transaction for the purpose of determining Payment Dates (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17) with no limitation in number;

- (ii) with regard to an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept an Original Non Deliverable Rates Derivatives Transaction for registration only if the "Relevant City(ies) for Business Day for Settlement Date(s)" specified in the ND IRS Template relating to such Original Non Deliverable Rates Derivatives Transaction has/have been elected for the purpose of determining the Payment Dates;
- (iii) with regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if:



- (a) with respect to the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that Original Transaction, then with respect to each Floating Amount Payer), the same financial center(s) or “Relevant City(ies) for Business Days for Settlement Date(s)” (as applicable) has/have been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Floating Amount payable by such Floating Amount Payer; and
- (b) the same financial center(s) or “Relevant City(ies) for Business Days for Settlement Date(s)” (as applicable) has/have been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable);
- (iv) with regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Standard Cross-currency Rates Derivatives Transaction for registration only if the financial centers as shown in the table below in the column entitled “Mandatory Financial Center” and marked against the relevant Currency Pair (swap) have been elected for such Original Standard Cross-currency Rates Derivatives Transaction for the purpose of determining Payment Dates (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17):

<b>Currency Pairs (swap)</b>	<b>Mandatory Financial Center</b>
USD and CNY (offshore)	New York, Beijing and Hong Kong
USD and HK\$	New York and Hong Kong

Additional financial center(s) (as set out in Appendix II to these Clearing Procedures) may also be elected (irrespective of the Currency Pair (swap and FX) of the Original Standard Cross-currency Rates Derivatives Transaction) for such Original Standard Cross-currency Rates Derivatives Transaction for the purpose of determining Payment Dates (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17) with no limitation in number; and

- (v) with regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if the same financial centers have been elected for the purposes of determining (a) the Payment Date and the Calculation Period (if applicable) for each Floating Amount, (b) the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable), (c) the Initial Exchange Date (if applicable), and (d) the Final Exchange Date (if applicable).

**3.4.2.4 Business Day Convention**

In respect of any Payment Date (other than Payment Dates in respect of Additional Payments which are set out in section 3.4.2.17), OTC Clear will accept:

- (i) an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Business Day Convention is specified as one of the following:

<b>Business Day Convention</b>
Following
Modified Following

<b>Business Day Convention</b>
Preceding

- (ii) with regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if:
  - (a) with respect to the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that Original Transaction, then with respect to each Floating Amount Payer), the same Business Day Convention has been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Floating Amount payable by such Floating Amount Payer; and
  - (b) the same Business Day Convention has been elected for purposes of determining the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable); and
- (iii) with regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if the same Business Day Convention has been elected for purposes of determining (a) the Payment Date and the Calculation Period (if applicable) for each Floating Amount, (b) the Payment Date and the Calculation Period (if applicable) for each Fixed Amount (if applicable), (c) the Initial Exchange Date (if applicable), and (d) the Final Exchange Date (if applicable).

#### 3.4.2.5 Residual Term

The residual term of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction, or an Original Non Deliverable Rates Derivatives Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks set out in this section 3.4 on such Original Transaction to (and including) the Termination Date of such Original Transaction.

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the residual term of that particular Original Transaction is less than or equal to the relevant maximum residual term as set out in section 3.4.2.1.

#### 3.4.2.6 Notional Amount

OTC Clear will accept an Original Standard Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Notional Amount of that particular Original Transaction is:

- (i) greater than or equal to one unit of the relevant currency;
- (ii) an integer if the relevant Notional Amount is denominated in KRW, or an integer or a number rounded up to two or less decimal points if the relevant Notional Amount is denominated in USD, EUR, HK\$, CNY (offshore), CNY, INR, MYR or TWD; and
- (iii) the same for each Calculation Period during the term of that particular Original Transaction.

### 3.4.2.7 Effective Date

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (i) only one Effective Date is applicable to that particular Original Transaction; and
- (ii) such an Effective Date is not subject to any adjustment (in accordance with any Business Day Convention).

For the avoidance of doubt, the Effective Date specified for an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction may fall prior to, after, or on the same date as the date on which such Original Transaction is submitted for registration.

### 3.4.2.8 Calculation Period

- (i) The period of time between one Period End Date to the next following Period End Date is known as the “interval” for the purpose of this section 3.4.2.8, section 3.4.2.9 and section 3.4.2.12. For example, if the Period End Dates fall on 1 January 2013, 1 April 2013, 1 July 2013 and 1 October 2013 of calendar year 2013, then the interval will be quarterly;
- (ii) the period of time between one Payment Date to the next following Payment Date is known as the “frequency of payment” for the purpose of this section 3.4.2.8 and section 3.4.2.12. For example, if the term of an Original Transaction is one year, and the Payment Dates fall on 30 June and 30 December of that calendar year, the “frequency of payment” for that particular Original Transaction is 6 months;
- (iii) for the purpose of this section 3.4.2.8, section 3.4.2.9, section 3.4.2.10, section 3.4.2.12 and section 3.4.2.19:
  - (a) with regard to a Floating Amount Payer of an Original Transaction:
    - (A) “stub” will be applicable to the initial Calculation Period, the final Calculation Period, or both the initial and the final Calculation Periods in respect of such Floating Amount Payer provided that each such Calculation Period(s) (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) has a different interval than the frequency of payment of Floating Amounts payable by such Floating Amount Payer during the term of that particular Original Transaction as designated by the Clearing Members; and
    - (B) except for the Calculation Period(s) to which stub applies, the interval of each Calculation Period in respect of such Floating Amount Payer (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) must be the same as the frequency of payment of Floating Amounts payable by such Floating Amount Payer during the term of that particular Original Transaction as designated by the Clearing Members; and
  - (b) with regard to a Fixed Amount Payer of an Original Transaction:
    - (A) “stub” will be applicable to the initial Calculation Period, the final Calculation Period, or both the initial and the final Calculation Periods in respect of such Fixed Amount Payer provided that each such Calculation Period(s) (prior to

any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) has a different interval as the frequency of payment of Fixed Amounts payable by such Fixed Amount Payer during the term of that particular Original Transaction as designated by the Clearing Members; and

- (B) except for the Calculation Period(s) to which stub applies the interval of each Calculation Period in respect of such Fixed Amount Payer (prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period) must be the same as the frequency of payment of Fixed Amounts payable by such Fixed Amount Payer during the term of that particular Original Transaction as designated by the Clearing Members;

(iv) Floating Amount

with regard to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction and the Floating Amount Payer for that particular Original Transaction (or if a Fixed Amount Payer is not applicable to that particular Original Transaction, then each Floating Amount Payer):

- (a) if there is only one Floating Amount payable by such Floating Amount Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:
  - (A) the frequency of payment of such Floating Amount is the same as the interval of the Calculation Period of such Floating Amount as designated by the Clearing Members; and
  - (B) the Clearing Members specify in the relevant Approved Trade Registration System that (I) stub is inapplicable to any Calculation Period in respect of such Floating Amount Payer or (II) stub is only applicable to either the initial Calculation Period or the final Calculation Period in respect of such Floating Amount Payer, when submitting such Original Transaction for registration; or
- (b) if there are two or more Floating Amounts payable by such Floating Amount Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:
  - (A)
    - (1) (I) stub is applicable only to the initial Calculation Period in respect of such Floating Amount Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the initial Calculation Period in respect of such Floating Amount Payer when submitting such Original Transaction for registration; or
    - (2) (I) stub is applicable only to the final Calculation Period in respect of such Floating Amount Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the final Calculation Period in respect of such

Floating Amount Payer when submitting such Original Transaction for registration; or

- (3) (I) stub is applicable to both the initial Calculation Period and the final Calculation Period in respect of such Floating Amount Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable to both the initial Calculation Period and the final Calculation Period in respect of such Floating Amount Payer when submitting such Original Transaction for registration; or
- (4) the Clearing Members specify in the relevant Approved Trade Registration System that stub is inapplicable to any Calculation Period in respect of such Floating Amount Payer when submitting such Original Transaction for registration; and

(B)

- (1) except for the Calculation Period(s) to which stub applies, the intervals for all other Calculation Periods (if applicable) in respect of the Floating Amounts payable by the Floating Amount Payer during the term of the Original Transaction are the same; and
- (2) except for the Calculation Period(s) to which stub applies, the frequency of payment of each Floating Amount is the same as the interval of the Calculation Period of each Floating Amount as designated by the Clearing Members;

(v) Fixed Amount

with regard to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction and the Fixed Amount Payer for that particular Original Transaction:

- (a) if there is only one Fixed Amount payable by the Fixed Amount Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:
  - (A) the frequency of payment of such Fixed Amount is the same as the interval of the Calculation Period of such Fixed Amount as designated by the Clearing Members; and
  - (B) the Clearing Members specify in the relevant Approved Trade Registration System that (I) stub is inapplicable to any Calculation Period in respect of such Fixed Amount Payer or (II) stub is only applicable to either the initial Calculation Period or the final Calculation Period in respect of such Fixed Amount Payer, when submitting such Original Transaction for registration; or
  - (C) the Clearing Members specify in the relevant Approved Trade Registration System that a single fixed payment at maturity is applicable to the Calculation Period in respect of such Fixed Amount Payer when submitting such Original Transaction for registration; or

- (b) if there are two or more Fixed Amounts payable by the Fixed Amount Payer during the term of that particular Original Transaction, OTC Clear will accept that particular Original Transaction for registration provided that:

(A)

- (1) (I) stub is applicable only to the initial Calculation Period in respect of such Fixed Amount Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the initial Calculation Period in respect of such Fixed Amount Payer when submitting such Original Transaction for registration; or
- (2) (I) stub is applicable only to the final Calculation Period in respect of such Fixed Amount Payer; and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable only to the final Calculation Period in respect of such Fixed Amount Payer when submitting such Original Transaction for registration; or
- (3) (I) stub is applicable to both the initial Calculation Period and the final Calculation Period in respect of such Fixed Amount Payer, and (II) the Clearing Members specify in the relevant Approved Trade Registration System that stub is applicable to both the initial Calculation Period and the final Calculation Period in respect of such Fixed Amount Payer when submitting such Original Transaction for registration; or
- (4) the Clearing Members specify in the relevant Approved Trade Registration System that stub is inapplicable to any Calculation Period in respect of such Fixed Amount Payer when submitting such Original Transaction for registration; and

(B)

- (1) except for the Calculation Period(s) to which stub applies, the intervals for all other Calculation Periods (if applicable) in respect of the Fixed Amounts being payable during the term of the Original Transaction are the same; and
- (2) except for the Calculation Period(s) to which stub applies, the frequency of payment of each Fixed Amount is the same as the interval of the Calculation Period of each Fixed Amount as designated by the Clearing Members.

(vi) [Deleted]

#### 3.4.2.9 Linear Interpolation

- (i) OTC Clear will accept an Original Standard Rates Derivatives Transaction (except an Original Standard Rates Derivatives Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s)), an Original Standard Cross-currency Rates Derivatives Transaction (except an Original Standard Cross-currency Rates Derivatives

Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound or USD-SOFR (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s)) or an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD for registration regardless of whether Linear Interpolation is applicable or not.

In the case that Linear Interpolation is applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction or an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, OTC Clear will accept that particular Original Transaction for registration provided that:

- (a) Linear Interpolation is elected for the Calculation Period(s) in respect of the Floating Amount Payer to which stub is applicable; and
- (b) in respect of the Designated Maturities elected for Linear Interpolation:
  - (A) both Designated Maturities are available for the relevant Floating Rate Option as shown in Appendix V to these Clearing Procedures; and
  - (B) prior to any adjustment being made in accordance with the applicable Business Day Convention to the relevant Calculation Period to which stub applies, one of the Designated Maturities is shorter than the interval of the Calculation Period to which stub applies and another Designated Maturity is longer than the interval of the Calculation Period to which stub applies;
- (ii) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR or KRW, OTC Clear will accept that particular Original Transaction for registration only if Linear Interpolation is inapplicable; or
- (iii) in respect of an Original Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s), OTC Clear will accept that particular Original Transaction for registration only if Linear Interpolation is inapplicable to the Floating Amount calculated by reference to the HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound Floating Rate Option (or equivalent Floating Rate Option(s) as set out in Appendix VI), as the case may be.

#### **3.4.2.10 Period End Date**

- (i) OTC Clear will accept an Original Standard Rates Derivatives Transaction (except an Original Standard Rates Derivatives Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s)), an Original Standard Cross-currency Rates Derivatives Transaction (except an Original Standard Cross-currency Rates Derivatives Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound or USD-SOFR (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s)) and an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, KRW, MYR or TWD for registration only if the Termination Date and the Period End Date for determination of each Calculation Period of Fixed Amount with respect to the Fixed Amount Payer and of Floating Amount with respect to the Floating Amount Payer (or each Floating Amount Payer if Fixed Amount Payer is

inapplicable) are either subject to adjustment on the same basis or are both not subject to adjustment respectively.

- (ii) OTC Clear will accept an Original Standard Rates Derivatives Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s), an Original Standard Cross-currency Rates Derivatives Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound or USD-SOFR (or equivalent Floating Rate Option(s) as set out in Appendix VI) is specified as one of the applicable Floating Rate Option(s) and an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR for registration only if the Termination Date and the Period End Dates for determination of each Calculation Period of a Floating Amount are both subject to adjustment.
- (iii) if the Period End Date(s) or Payment Date(s) is/are designated to be the last calendar day of a calendar month during the term of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction regardless of the currency in which such Original Non Deliverable Rates Derivatives Transaction is denominated, OTC Clear will accept such Original Transaction for registration provided that:
  - (a) both the Effective Date and Termination Date of that particular Original Transaction fall on the last calendar day of a relevant calendar month and regardless of whether stub is applicable to the initial Calculation Period, the final Calculation Period or both the initial and the final Calculation Periods in respect of:
    - (A) the Floating Amount Payer and/or the Fixed Amount Payer of that particular Original Transaction; or
    - (B) one of or both of the Floating Amount Payers of that particular Original Transaction if a Fixed Amount Payer is not applicable to that particular Original Transaction;
  - (b) both the Effective Date and Termination Date of that particular Original Transaction does not fall on the last calendar day of a relevant calendar month and stub is applicable to both the initial and final Calculation Periods in respect of:
    - (A) the Floating Amount Payer and/or the Fixed Amount Payer of that particular Original Transaction; or
    - (B) one of or both of the Floating Amount Payers of that particular Original Transaction if a Fixed Amount Payer is not applicable to that particular Original Transaction;
  - (c) the Termination Date of that particular Original Transaction falls on the last calendar day of a relevant calendar month and stub is applicable to the initial Calculation Period or both the initial and the final Calculation Periods in respect of:
    - (A) the Floating Amount Payer and the Fixed Amount Payer of that particular Original Transaction; or
    - (B) both of the Floating Amount Payers of that particular Original Transaction if a Fixed Amount Payer is not applicable to that particular Original Transaction; or



- (d) the Effective Date of that particular Original Transaction falls on the last calendar day of a relevant calendar month and stub is applicable to the final Calculation Period or both the initial and final Calculation Periods in respect of:
  - (A) the Floating Amount Payer and the Fixed Amount Payer of that particular Original Transaction; or
  - (B) both of the Floating Amount Payers of that particular Original Transaction if a Fixed Amount Payer is not applicable to that particular Original Transaction; or
- (e) the Effective Date of that particular Original Transaction falls on the last Currency Day (relating to the Contractual Currency of that particular Original Transaction) of a relevant calendar month, the Termination Date of that particular Original Transaction falls on the last calendar day of the relevant month and regardless of whether stub is applicable to the initial Calculation Period, the final Calculation Period, or both the initial and the final Calculation Periods in respect of:
  - (A) the Floating Amount Payer and the Fixed Amount Payer of that particular Original Transaction; or
  - (B) both of the Floating Amount Payers of that particular Original Transaction if a Fixed Amount Payer is not applicable to that particular Original Transaction; or
- (f) the Effective Date of that particular Original Transaction falls on the last Currency Day (relating to the Contractual Currency of that particular Original Transaction) of a relevant calendar month, the Termination Date of that particular Original Transaction does not fall on the last calendar day of a relevant calendar month and stub is applicable to the final Calculation Period or both the initial and final Calculation Periods in respect of:
  - (A) the Floating Amount Payer and the Fixed Amount Payer of that particular Original Transaction; or
  - (B) both of the Floating Amount Payers of that particular Original Transaction if a Fixed Amount Payer is not applicable to that particular Original Transaction.
- (iv) OTC Clear will accept Original Standard Rates Derivatives Transactions, Original Standard Cross-currency Rates Derivatives Transactions and Original Non Deliverable Rates Derivatives Transactions for registration only if "Period End Date adjustment for Unscheduled Holiday" is not applicable.

For the avoidance of doubt, if the Modified Following Business Day Convention or the Preceding Business Day Convention applies to any Period End Date and that date would otherwise fall on a day that is not a Business Day as a result of an Unscheduled Holiday, then in respect of any Period End Date (other than where a Period End Date is a Payment Date), that date will be subject to adjustment in accordance with the Business Day Convention that applies to such date.

#### **3.4.2.11 Delayed Payment, Observation Period Shift, Lookback and Lockout**

OTC Clear will only accept Original Standard Rates Derivatives Transactions, Original Standard Cross-currency Rates Derivatives Transactions and Original Non Deliverable Rates Derivatives Transactions for registration if any of (i) Delayed Payment, (ii) Observation Period Shift, (iii) Lookback and/or (iv)

Lockout (as applicable), and the respective period of days specified for the relevant Floating Amount payments corresponds to the parameters specified below. For the avoidance of doubt, one of either Observation Period Shift, Lookback or Lockout must be specified in respect of the applicable Floating Rate Options specified below. Delayed Payment may or may not be specified (in addition to the specification of one of either Observation Period Shift, Lookback or Lockout):

Instrument		Currencies / Currency Pairs (swap and FX)	Floating Rate Option	Delayed Payment (number of relevant Business Days)	Observation Period Shift (number of relevant Business Days)	Lookback (number of relevant Business Days)	Lockout (number of relevant Business Days)
Original Standard Rates Derivatives Transactions	Single currency interest rate swaps	USD	USD-SOFR-OIS Compound	Minimum 2	N/A	N/A	N/A
			USD-Federal Funds-OIS Compound				
			USD-SOFR	Minimum 0	Minimum 2	Minimum 2	Minimum 3
		EUR	EUR-EURIBOR	Minimum 0	N/A	N/A	N/A
			EUR-EuroSTR-OIS Compound	Minimum 1	N/A	N/A	N/A
		HK\$	HKD-HIBOR	Minimum 0	N/A	N/A	N/A
	HKD-HONIA-OIS Compound		Minimum 0	N/A	N/A	N/A	
	CNY (offshore)		CNY-SHIBOR	Minimum 0	N/A	N/A	N/A
			CNH-HIBOR				
	Single currency basis swaps	USD	(a) USD-SOFR-OIS Compound vs (b) USD-Federal Funds-OIS Compound	Minimum 2 for each of the Floating Amounts. For the avoidance of doubt, the number of days specified for the two Floating Amounts may differ	N/A	N/A	N/A
			(b) USD-Federal Funds-OIS Compound vs (c) USD-SOFR	Minimum 0 for USD-SOFR and Minimum 2 for USD-Federal Funds-OIS Compound. For the avoidance of doubt, the number of	Minimum 2 for USD-SOFR	Minimum 2 for USD-SOFR	Minimum 3 for USD-SOFR

Instrument		Currencies / Currency Pairs (swap and FX)	Floating Rate Option	Delayed Payment (number of relevant Business Days)	Observation Period Shift (number of relevant Business Days)	Lookback (number of relevant Business Days)	Lockout (number of relevant Business Days)
				days specified for the two Floating Amounts may differ			
		EUR	EUR-EURIBOR	Minimum 0	N/A	N/A	N/A
			(a) EUR-EuroSTR-OIS Compound vs (b) EUR-EURIBOR	Minimum 1 for EUR-EuroSTR-OIS Compound and Minimum 0 for the EUR-EURIBOR. For the avoidance of doubt the number of days specified for the two Floating Amounts may differ	N/A	N/A	N/A
		HK\$	HKD-HIBOR	Minimum 0	N/A	N/A	N/A
			(a) HKD-HONIA-OIS Compound vs (b) HKD-HIBOR	Minimum 0 for HKD-HONIA-OIS Compound and HKD-HIBOR. For the avoidance of doubt the number of days specified for the Floating Amounts may differ	N/A	N/A	N/A
Original Standard Cross-currency Rates Derivatives Transactions	Cross-currency interest rate swaps and Cross-currency basis swaps	CNY (offshore) and USD	CNY (offshore): (a) CNH-HIBOR (b) CNY-SHIBOR	Minimum 0 For the avoidance of doubt, the number of days specified for the two Floating Amounts may differ	N/A	N/A	N/A
			USD: (c) USD-SOFR	Minimum 0 for USD-SOFR and 2 for USD-SOFR-	Minimum 2 for USD-SOFR	Minimum 2 for USD-SOFR	Minimum 3 for USD-SOFR

Instrument		Currencies / Currency Pairs (swap and FX)	Floating Rate Option	Delayed Payment (number of relevant Business Days)	Observation Period Shift (number of relevant Business Days)	Lookback (number of relevant Business Days)	Lockout (number of relevant Business Days)
			(d) USD-SOFR-OIS Compound	OIS Compound			
		HK\$ and USD	HK\$: (a) HKD-HIBOR (b) HKD-HONIA-OIS Compound	Minimum 0 for HKD-HONIA-OIS Compound and HKD-HIBOR. For the avoidance of doubt the number of days specified for the Floating Amounts may differ	N/A	N/A	N/A
			USD: (c) USD-SOFR (d) USD-SOFR-OIS Compound	Minimum 0 for USD-SOFR and minimum 2 for USD-SOFR-OIS Compound	Minimum 2 for USD-SOFR	Minimum 2 for USD-SOFR	Minimum 3 for USD-SOFR
Original Non Deliverable Rates Derivatives Transactions	Non-deliverable interest rate swaps	CNY	CNY-Fixing Repo Rate				
		INR	INR-MIBOR-OIS Compound				
		KRW	KRW-CD 91D	0	N/A	N/A	N/A
		MYR	MYR-KLIBOR				
		TWD	TWD-TAIBOR				

#### 3.4.2.12 Payment Date

- (i) Original Standard Rates Derivatives Transaction and Original Standard Cross-currency Rates Derivatives Transaction

With regard to both an Original Standard Rates Derivatives Transaction and Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if:

- (a) with respect to the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction, then with respect to each Floating Amount Payer), the frequency of payment of each Floating Amount payable by such Floating Amount Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Floating Amount payable by such Floating Amount Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of such Floating Amount Payer; or
- (2) the same as the interval of the Calculation Period of the Floating Amount payable by such Floating Amount Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of such Floating Amount Payer to which stub is applicable;

(B)

- (1) where applicable, the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of such Floating Amount Payer if stub is inapplicable to any Calculation Period in respect of such Floating Amount Payer; or
- (2) where applicable, the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the Calculation Period to which stub is applicable) in respect of such Floating Amount Payer;

(C) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and

(D) three months if IMM Settlement Dates are applicable; and

- (b) the frequency of payment of each Fixed Amount (if applicable) being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the

Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed Amount Payer;

- (2) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Fixed Amount Payer to which stub is applicable; or
  - (3) once at the maturity of that particular Original Standard Rates Derivatives Transaction as designated by the Clearing Member:
- (B) one month, three months, six months, one year, or once at maturity if IMM Settlement Dates are inapplicable; and
  - (C) three months if IMM Settlement Dates are applicable;
- (ii) Original Non Deliverable Rates Derivatives Transaction

With regard to an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (a) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY or INR, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
  - (A)
    - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
    - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;
  - (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
  - (C) three months if IMM Settlement Dates are applicable;
- (b1) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
  - (A)
    - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the

- Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
- (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;
- (B) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to the Floating Amount payable by the Floating Amount Payer; and
  - (C) three months only;
- (b2) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
- (A)
    - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
    - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;
  - (B)
    - (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Amount Payer if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
    - (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the Calculation Period to which stub is applicable) in respect of the Floating Amount Payer; and
  - (C) three months only;
- (c) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR, KRW, MYR or TWD, the frequency of payment of each Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
- (A)

- (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed Amount Payer;
    - (2) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Fixed Amount Payer to which stub is applicable; or
    - (3) once at maturity of that particular Original Non Deliverable Rates Derivatives Transactions as designated by the Clearing Member;
  - (B) one month, three months, six months, one year or once at maturity if IMM Settlement Dates are inapplicable; and
  - (C) three months if IMM Settlement Dates are applicable;
- (iii) Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction
- With regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if such Original Transaction is submitted to OTC Clear for registration prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day that falls at least one OTC Clear Clearing Day prior to any forthcoming Payment Date of that Original Transaction; and
- (iv) Original Standard Cross-currency Rates Derivatives Transaction
- With regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if such Original Transaction is submitted to OTC Clear for registration prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day (other than Initial Exchange Date in respect of Initial Exchange Amount (if applicable) which is set out in section 3.4.2.28 and Payment Dates) that falls at least one OTC Clear Clearing Day prior to any forthcoming Payment Date of that Original Transaction.
- (v) OTC Clear will accept Original Standard Rates Derivatives Transactions, Original Standard Cross-currency Rates Derivatives Transactions and Original Non Deliverable Rates Derivatives Transactions for registration only if Section 2.3.6(i)(a) of the ISDA Definitions applies such that if the Modified Following Business Day Convention or the Preceding Business Day Convention applies to any Payment Date and that date would otherwise fall on a day that is not a Business Day as a result of an Unscheduled Holiday, then in respect of such Payment Date (including where the Period End Date or the Termination Date is a Payment Date), that date will instead fall on the first following day that is a Business Day, notwithstanding the provisions of Section 2.3.3 (*Modified Following Business Day Convention*) and Section 2.3.4 (*Preceding Business Day Convention*) of the ISDA Definitions.

#### 3.4.2.13 Fixed Amount

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction to which Fixed Amount is applicable only if a Fixed Rate is specified and such rate is:



- (i) the same for each Calculation Period; and
- (ii) an integer or a number rounded up to seven or less decimal points.

For the avoidance of doubt, no amount should be specified as the Fixed Amount.

#### 3.4.2.14 Floating Rate Option

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Floating Rate Option elected for the Floating Amounts payable by the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that particular Original Transaction, then each Floating Amount Payer) is:

- (i) consistent with Floating Rate Options as set out in section 3.4.2.1; and
- (ii) with respect to the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that Original Transaction, then with respect to each Floating Amount Payer), the same for all the relevant Calculation Periods of the Floating Amounts payable by such Floating Amount Payer.

#### 3.4.2.15 Reset Date

OTC Clear will accept an Original Transaction for registration only if:

- (i) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, any Reset Date is the first day of each Compounding Period;
- (ii) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, any Reset Date is the last day of each relevant Calculation Period;
- (iii) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, MYR or TWD, any Reset Date is the first day of each relevant Calculation Period;
- (iv) with regard to both an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction,
  - (a) the Reset Date is the first day of each relevant Calculation Period; or
  - (b) the Reset Date is the last day of each relevant Calculation Period, if the Floating Amount of such Original Transactions is calculated by reference to HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound Floating Rate Option (or equivalent Floating Rate Option(s) as set out in Appendix VI), as the case may be;
- (v) with regard to the initial Calculation Period in respect of the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that particular Original Transaction, then in respect of each Floating Amount Payer) of an Original Standard Rates Derivatives Transaction which is denominated in CNY (offshore) or USD, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in the Floating Rate Matrix except that a different Fixing Days Offset can be elected by the Clearing Members for the respective Floating Rate Option, provided that such Fixing Days Offset is:
  - (a) zero; or
  - (b) any number of day(s) preceding the Reset Date, provided that each of such day is a Business Day in respect of:

- (A) a financial center as shown in the table below in the column entitled “Mandatory Financial Center” and marked against the relevant Floating Rate Option; and

<b>Floating Rate Option</b>	<b>Mandatory Financial Center</b>
CNH-HIBOR	Hong Kong
CNY-SHIBOR	Beijing
MYR-KLIBOR	Kuala Lumpur
TWD-TAIBOR	Taipei

- (B) any additional financial center(s) (as set out in Appendix II to these Clearing Procedures) being elected by the Clearing Members with no limitation in number;
- (vi) with regard to the initial Compounding Period in respect of the Floating Amount Payer of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, the determination of the rate for the Reset Date for such Compounding Period is consistent with that prescribed for in the Floating Rate Matrix except that a different Fixing Days Offset can be elected by the Clearing Members for the respective Floating Rate Option, provided that such Fixing Days Offset is:
- (a) zero; or
- (b) any number of day(s) preceding the Reset Date, provided that each of such day is a Business Day in respect of:
- (A) Beijing; and
- (B) any additional financial center(s) (as set out in Appendix II to these Clearing Procedures) being elected by the Clearing Members with no limitation in number;
- (vii) with regard to any Calculation Period (save and except the initial Calculation Period) in respect of the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that particular Original Transaction, then in respect of each Floating Amount Payer) of an Original Standard Rates Derivatives Transaction which is denominated in CNY (offshore) or USD, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in the Floating Rate Matrix;
- (viii) with regard to any Compounding Period (save and except the initial Compounding Period) in respect of the Floating Amount Payer of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, the determination of the rate for the Reset Date for such Compounding Period is consistent with that prescribed for in the Floating Rate Matrix; and
- (ix) with regard to any Calculation Period in respect of the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that particular Original Transaction, then in respect of each Floating Amount Payer) of an Original Standard Rates Derivatives Transaction which is denominated in EUR or HK\$ and an Original Non Deliverable Rates Derivatives Transaction

which is denominated in INR or KRW, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in the Floating Rate Matrix.

**“Fixing Days Offset”** (as set out in this section 3.4.2.15, section 3.4.2.30 and section 3.8.1.1.3) means in respect of a Floating Rate Option, the number of days by which the Reset Date precedes or follows the day on which the relevant rate relating to a Designated Maturity for a Reset Date appears on the specific rate source (including the fallback rate source) at the designated time which are stipulated in the Floating Rate Matrix. For the avoidance of doubt, if the relevant rate relating to a Designated Maturity for a Reset Date is the rate which appears on the specific rate source (including the fallback rate source) at the designated time on the Reset Date, the Fixing Days Offset will be zero.

#### **3.4.2.16 Spread**

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether Spread is applicable or not.

If Spread is applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if the Spread is:

- (i) an integer or a number rounded up to seven or less decimal points; and
- (ii) the same for each Calculation Period.

#### **3.4.2.17 Additional Payment**

**“Additional Payment”** as used in this Chapter 3 means any additional payment specified in an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction as being payable by the relevant Clearing Member(s) pursuant to the terms therein, and forming part of the Contract Terms upon registration of the Original Transaction.

OTC Clear will only accept an Original Non Deliverable Rates Derivatives Transaction for registration if no Additional Payment is specified in the terms of such Original Non Deliverable Rates Derivatives Transaction.

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction regardless of whether Additional Payment is applicable or not.

If Additional Payment is applicable to an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if:

- (i) the financial center(s) elected for the purpose of determining the Payment Date(s) for Additional Payment(s) are as follows:

<b>Currencies for settlement for Additional Payments</b>	<b>Financial center</b>
USD	New York
EUR	TARGET
HKD	Hong Kong
CNY (offshore)	Beijing and Hong Kong

- (ii) the Business Day Convention elected for the purpose of determining the Payment Date(s) for Additional Payment(s) is Following;
- (iii) the currency for settlement of an Additional Payment is (a) the same as the Contractual Currency for such Original Standard Rates Derivatives Transaction or (b) one of the Contractual Currencies for such Original Standard Cross-currency Rates Derivatives Transaction;
- (iv) such Original Transaction is submitted to OTC Clear for registration:
  - (a) prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day that falls at least one OTC Clear Clearing Day prior to a forthcoming Payment Date of any Additional Payment of that particular Original Transaction; or
  - (b) after the Payment Date of any Additional Payment of that particular Original Transaction;
- (v) the Payment Date for any Additional Payment falls on any day from and including the Effective Date to and including the Termination Date; and
- (vi) the payer and receiver of any Additional Payment payable under an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction are the Clearing Members who are counterparties to such Original Transaction.

For the avoidance of doubt, there is no limitation on the number of Additional Payments.

#### **3.4.2.18 Compounding**

In respect of an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if Compounding is elected to be inapplicable to such Original Transaction, except for an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction for which USD-SOFR is specified as one of the applicable Floating Rate Option(s).

In respect of an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction for which USD-SOFR is specified as one of the applicable Floating Rate Option(s), OTC Clear will accept such Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction for registration only if one of (i) Compounding with Lookback, (ii) Compounding with Observation Period Shift, or (iii) Compounding with Lockout is elected as applicable.

In respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (i) Compounding is elected to be applicable; and

- (ii) Straight Compounding is applicable.

In respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, KRW, MYR or TWD, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if Compounding is elected to be inapplicable to such Original Non Deliverable Rates Derivatives Transaction.

#### **3.4.2.19 Designated Maturity**

OTC Clear will only accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration if:

- (i) the Designated Maturity elected for the relevant Floating Rate Option in respect of the Floating Amounts payable by a Floating Amount Payer of that particular Original Transaction is specified as being available for that Floating Rate Option in section 3.4.2.1;
- (ii) each Calculation Period for the determination of a Floating Amount has the same Designated Maturity, except for the Calculation Period for which stub is applicable; and
- (iii) where stub is applicable in respect of a Calculation Period and Linear Interpolation is applicable, the Relevant Rate for the Reset Date in respect of the stub Calculation Period will be determined by Linear Interpolation between the Designated Maturities elected in accordance with the requirements stipulated in section 3.4.2.9; or
- (iv) where stub is applicable in respect of a Calculation Period and Linear Interpolation is not applicable, the Designated Maturity elected for the stub Calculation Period must be listed as being available for the relevant Floating Rate Option in Appendix V to these Clearing Procedures.

#### **3.4.2.20 Settlement Currency**

This is applicable to an Original Non Deliverable Rates Derivatives Transaction only.

OTC Clear will accept an Original Non Deliverable Rates Derivatives Transaction for registration only if the Settlement Currency of that particular Original Non Deliverable Rates Derivatives Transaction is USD.

#### **3.4.2.21 Optional Early Termination and Mandatory Early Termination**

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether Optional Early Termination of such Original Transaction is applicable or not.

If Optional Early Termination is applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if both parties have the right to early terminate the Original Transaction.

If Optional Early Termination is provided for under the terms of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction:

- (i) OTC Clear will not maintain or record the feature of Optional Early Termination within its Rates and FX Clearing System when registering such Original Transaction;

- (ii) the Optional Early Termination feature, and its related provisions, will not form part of the Contract Terms of the Contracts created as a result of registration of such Original Transaction; and
- (iii) Clearing Members who become parties to the Contracts created as a result of registration of such Original Transaction may not exercise the right to early terminate such Contracts.

OTC Clear will not accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration if such Original Transaction contains provisions permitting Mandatory Early Termination.

#### **3.4.2.22 IMM Settlement Dates**

- (i) OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR, KRW, MYR or TWD for registration regardless of whether IMM Settlement Dates are applicable or not.
- (ii) If IMM Settlement Dates are applicable to an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR, KRW, MYR or TWD, OTC Clear will accept that particular Original Transaction for registration only if
  - (a) such IMM Settlement Dates are limited to the third Wednesday of March, June, September and December of each calendar year; and
  - (b) both the Effective Date and Termination Date of that particular Original Transaction fall on a day which is the third Wednesday of March, June, September or December of a calendar year.

#### **3.4.2.23 Unweighted Average and Weighted Average**

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if neither Unweighted Average nor Weighted Average is elected as applicable.

#### **3.4.2.24 Termination Date**

- (i) OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if only one Termination Date is applicable to that particular Original Transaction.

If both the Effective Date and Termination Date of an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction fall on the last calendar day in the relevant calendar month, OTC Clear will accept that particular Original Transaction for registration only if the Period End Date(s) or Payment Date(s) is/are designated to be the last calendar day in any calendar month(s) during the term of such Original Transaction.

- (ii) OTC Clear will accept an Original Standard Rates Derivatives Transactions, Original Standard Cross-currency Rates Derivatives Transactions and Original Non Deliverable Rates Derivatives Transactions for registration only if "Termination Date adjustment for Unscheduled Holiday" is not applicable.

For the avoidance of doubt, if the Modified Following Business Day Convention or the Preceding Business Day Convention applies to Termination Date, and that date would otherwise fall on a day that is not a Business Day as a result of an Unscheduled Holiday, then in respect of the Termination Date (other than where the Termination Date is a Payment Date), that date will be subject to adjustment in accordance with the Business Day Convention that applies to such date.

#### **3.4.2.25 Novation Transaction**

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration regardless of whether such Original Transaction is a **“Novation Transaction”** (as defined in the 2004 ISDA Novation Definitions, as published by ISDA) or not.

#### **3.4.2.26 Trade Date**

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Trade Date of such Original Transaction falls on or prior to the date on which such Original Transaction is submitted for registration.

#### **3.4.2.27 Initial Exchange Amount and Final Exchange Amount**

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

- (i) OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration regardless of whether Initial Exchange Amount or Final Exchange Amount is applicable or not.
- (ii) If either Initial Exchange Amount or Final Exchange Amount is applicable to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
  - (a) each Initial Exchange Amount (if applicable) or each Final Exchange Amount (if applicable) is the same as the Currency Amount of the relevant currency;
  - (b) Initial Exchange Date is specified for each Initial Exchange Amount (if applicable) and Final Exchange Date is specified for each Final Exchange Amount (if applicable); and
  - (c) the receiver of the Initial Exchange Amount (if applicable) or the payer of the Final Exchange Amount (if applicable) in a particular currency is the Fixed Amount Payer (if applicable) or the Floating Amount Payer in such currency.
- (iii) If both Initial Exchange Amount and Final Exchange Amount are applicable to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
  - (a) each Initial Exchange Amount and each Final Exchange Amount is the same as the Currency Amount of the relevant currency;
  - (b) both Initial Exchange Date and Final Exchange Date are specified for each Initial Exchange Amount and Final Exchange Amount respectively;
  - (c) the receiver of the Initial Exchange Amount and the payer of the Final Exchange Amount in a particular currency is the Fixed Amount Payer (if applicable) or the Floating Amount Payer in such currency; and

- (d) the receiver of the Initial Exchange Amount in a particular currency is the payer of the Final Exchange Amount in such currency.
- (iv) If neither Initial Exchange Amount nor Final Exchange Amount is applicable to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept that particular Original Transaction for registration only if both Initial Exchange Date and Final Exchange Date are not applicable.

For the avoidance of doubt, OTC Clear will not accept an Original Standard Cross-currency Rates Derivatives Transaction for registration if Interim Exchange Amount is applicable.

#### **3.4.2.28 Initial Exchange Date and Final Exchange Date**

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

- (i) If Final Exchange Date is applicable, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if, prior to any adjustment being made to the Final Exchange Date in accordance with the applicable Business Day Convention, it is the same as the Termination Date.
- (ii) If Initial Exchange Date is applicable, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if:
  - (a) prior to any adjustment being made to the Initial Exchange Date in accordance with the applicable Business Day Convention, it is the same as the Effective Date; and
  - (b) such Original Transaction is submitted to OTC Clear for registration:
    - (A) prior to 19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding any forthcoming Initial Exchange Date of that particular Original Transaction; or
    - (B) after the Initial Exchange Date of that particular Original Transaction.
- (iii) OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transactions for registration only if Section 2.3.6(i)(a) of the ISDA Definitions applies such that if the Modified Following Business Day Convention or the Preceding Business Day Convention applies to the Initial Exchange Date or the Final Exchange Date, and that date would otherwise fall on a day that is not a Business Day as a result of an Unscheduled Holiday, then in respect of the Initial Exchange Date or the Final Exchange Date which is a Date for Payment, that date will instead fall on the first following day that is a Business Day, notwithstanding the provisions of Sections 2.3.3 and 2.3.4 of the ISDA Definitions.

#### **3.4.2.29 Currency Amount**

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if each Currency Amount in respect of a Fixed Amount Payer or Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that particular Original Transaction, then each Floating Amount Payer) of that particular Original Transaction is:

- (i) greater than or equal to one unit of the relevant currency;
- (ii) an integer or a number rounded up to two or less decimal points; and
- (iii) the same for each Calculation Period during the term of that particular Original Transaction.



### 3.4.2.30 Floating Rate

OTC Clear will accept:

- (i) an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction for registration if:
  - (a) in respect of the initial Calculation Period of such Original Transaction:
    - (A) no Floating Rate has been designated by the Clearing Members for such Calculation Period; or
    - (B) the Floating Rate has been designated by the Clearing Members for such Calculation Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points, provided that no numerical Floating Rate may be designated for such Calculation Period in respect of such Original Transaction for which HKD-HONIA-OIS Compound, USD-SOFR-OIS Compound, USD-SOFR, USD-Federal Funds-OIS Compound or EUR-EuroSTR-OIS Compound (or equivalent Floating Rate Option(s) as set out in Appendix VI) has been specified as the Floating Rate Option; and
  - (b) in respect of any Calculation Period other than the initial Calculation Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Calculation Period;
- (ii) an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, MYR or TWD for registration if:
  - (a) in respect of the initial Calculation Period of such Original Transaction:
    - (A) no Floating Rate has been designated by the Clearing Members for such Calculation Period; or
    - (B) the Floating Rate has been designated by the Clearing Members for such Calculation Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points; and
  - (b) in respect of any Calculation Period other than the initial Calculation Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Calculation Period;
- (iii) an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY for registration if:
  - (a) in respect of the initial Compounding Period of such Original Transaction:
    - (A) no Floating Rate has been designated by the Clearing Members for such Compounding Period; or
    - (B) the Floating Rate has been designated by the Clearing Members for such Compounding Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points; and
  - (b) in respect of any Compounding Period other than the initial Compounding Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Compounding Period; and

- (iv) an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR for registration only if no numerical Floating Rate has been designated for any Calculation Period of such Original Transaction.

For the avoidance of doubt, if the Clearing Members designate the Floating Rate for the initial Calculation Period or initial Compounding Period (as the case may be) of an Original Transaction and elect the Fixing Days Offset which is inconsistent with that prescribed for in the Floating Rate Matrix for the respective Floating Rate Option in the determination of the rate for the Reset Date for the initial Calculation Period or initial Compounding Period (as the case may be) of such Original Transaction, such Original Transaction will not be accepted by OTC Clear for registration.

### 3.4.3 Specific Requirements for an Original Non Deliverable FX Derivatives Transaction

#### 3.4.3.1 OTC Clear will only accept the types of Original Non Deliverable FX Derivatives Transaction as set out in the table below:

Reference Currency	Settlement Currency	Maximum Residual Term	Valuation Days Offset
CNY	USD	2 years	2 Beijing Business Days
INR		2 years	2 Mumbai Business Days
KRW		2 years	2 Seoul Business Days
TWD		2 years	2 Taipei Business Days

#### 3.4.3.2 Residual Term

The residual term of an Original Non Deliverable FX Derivatives Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Non Deliverable FX Derivatives Transaction to (and including) the Settlement Date of that particular Original Non Deliverable FX Derivatives Transaction.

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if the residual term of that particular Original Non Deliverable FX Derivatives Transaction is:

- (i) greater than or equal to two days where each of these two days is (a) a Currency Day relating to the Contractual Currency of that particular Original Non Deliverable FX Derivatives Transaction and (b) an OTC Clear Clearing Day; and
- (ii) less than or equal to the relevant maximum residual term as set out in section 3.4.3.1.

#### 3.4.3.3 Reference Currency Notional Amount

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if the Reference Currency Notional Amount of that particular Original Non Deliverable FX Derivatives Transaction is:

- (i) greater than or equal to one unit of the Reference Currency; and

- (ii) an integer of the Reference Currency if the relevant Reference Currency is KRW; or an integer or a number rounded up to two or less decimal places of the Reference Currency if the relevant Reference Currency is CNY, INR or TWD.

#### 3.4.3.4 Forward Rate

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if the Forward Rate of that particular Original Non Deliverable FX Derivatives Transaction is:

- (i) greater than or equal to one;
- (ii) an integer or a number rounded up to four or less decimal places; and
- (iii) quoted in terms of the amount of Reference Currency per one unit of Settlement Currency.

For the avoidance of doubt, OTC Clear will only accept an Original Non Deliverable FX Derivatives Transaction for registration if both the Forward Rate and at least one of (a) Notional Amount or (b) Reference Currency Notional Amount are specified in such Original Non Deliverable FX Derivatives Transaction.

#### 3.4.3.5 Valuation Date and Settlement Date

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if:

- (i) both Settlement Date and Valuation Date are specified in that particular Original Non Deliverable FX Derivatives Transaction;
- (ii) the Settlement Date specified in that particular Original Non Deliverable FX Derivatives Transaction is a Currency Day for the Contractual Currency of that particular Original Non Deliverable FX Derivatives Transaction; and
- (iii) the relevant Valuation Days Offset is applied to that particular Original Non Deliverable FX Derivatives Transaction.

“**Valuation Days Offset**” (as set out in section 3.4.3.1) is the number of relevant Business Days by which the Valuation Date precedes the Settlement Date, subject to the Reference Currency of the Original Non Deliverable FX Derivatives Transaction.

#### 3.4.3.6 Notional Amount

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if:

- (i) the Notional Amount of that particular Original Non Deliverable FX Derivatives Transaction is greater than or equal to one unit of USD;
- (ii) the Notional Amount of that particular Original Non Deliverable FX Derivatives Transaction is an integer or a number rounded up to two or less decimal places; and
- (iii) the product of Forward Rate and Notional Amount is equivalent to the Reference Currency Notional Amount.

#### 3.4.3.7 Valuation Date

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if the Valuation Date falls on or after the Trade Date of such Original Non Deliverable FX Derivatives Transaction.

### 3.4.3.8 Trade Date

OTC Clear will accept an Original Non Deliverable FX Derivatives Transaction for registration only if the Trade Date of such Original Transaction falls on or prior to the date on which such Original Transaction is submitted for registration.

### 3.4.4 Specific Requirements for an Original Deliverable FX Forward Transaction and Original Deliverable FX Swap Transaction

3.4.4.1 OTC Clear will only accept the types of Original Deliverable FX Forward Transaction and Original Deliverable FX Swap Transaction as set out in the table as follows:

<b>Instrument</b>	<b>Currency Pair (swap and FX)</b>	<b>Maximum Residual Term</b>
Original Deliverable FX Forward Transactions	USD and CNY (offshore)	3 years
	USD and HK\$	
Original Deliverable FX Swap Transactions	USD and CNY (offshore)	3 years
	USD and HK\$	

### 3.4.4.2 Residual Term

In respect of an Original Deliverable FX Forward Transaction, the residual term of that particular Original Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction to (and including) the Settlement Date of that particular Original Transaction.

In respect of an Original Deliverable FX Swap Transaction, the residual term of that particular Original Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction to (and including) the Settlement Date of the far leg of that particular Original Transaction.

OTC Clear will accept an Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction for registration only if the residual term of that particular Original Transaction is:

- (i) greater than or equal to one day where each such day is (a) a Currency Day for each Contractual Currency of that particular Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction, as the case may be, and (b) an OTC Clear Clearing Day; and
- (ii) less than or equal to the relevant maximum residual term as set out in section 3.4.4.1.

### 3.4.4.3 Forward Rate

OTC Clear will accept an Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction for registration regardless of whether any Forward Rate of that particular Original Transaction is specified or not.

For the avoidance of doubt, if Forward Rate is specified under the terms of an Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction:

- (i) OTC Clear will not maintain or record the Forward Rate within its Rates and FX Clearing System when registering such Original Transaction; and
- (ii) the Forward Rate will not form part of the Contract Terms of the Contracts created as a result of registration of such Original Transaction.

#### **3.4.4.4 Settlement Date**

- (i) with regard to an Original Deliverable FX Forward Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
  - (a) the Settlement Date of that particular Original Transaction follows the Trade Date of that particular Original Transaction by a minimum of two days, where each of those two days is a Currency Day for each Contractual Currency of that particular Original Deliverable FX Forward Transaction; and
  - (b) the Settlement Date specified in that particular Original Transaction is a Currency Day for each Contractual Currency of that particular Original Transaction;
- (ii) with regard to an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
  - (a) any Settlement Date specified in that particular Original Transaction that falls after the date on which such Original Transaction is submitted for registration is a Currency Day for each Contractual Currency of that particular Original Transaction; and
  - (b) the Settlement Dates of the near leg and far leg of that particular Original Transaction are different; and
- (iii) with regard to both an Original Deliverable FX Forward Transaction and an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if such Original Transaction is submitted to OTC Clear for registration prior to 19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding any forthcoming Settlement Date of that particular Original Transactions.

#### **3.4.4.5 Notional Amount**

- (i) with regard to an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if at least one payer of a Notional Amount in the near leg of that particular Original Transaction receives the same Notional Amount denominated in the same currency in the far leg of that particular Original Transaction; and
- (ii) with regard to both an Original Deliverable FX Forward Transaction and an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if each Notional Amount of such Original Transaction is:
  - (a) greater than or equal to one unit of the relevant currency; and
  - (b) an integer or a number rounded up to two or less decimal places.

#### **3.4.4.6 Currency**

This is applicable to an Original Deliverable FX Swap Transaction only.

OTC Clear will accept an Original Deliverable FX Swap Transaction for registration only if:

- (i) the payer of a particular currency in the near leg of such Original Transaction is the receiver of such currency in the far leg of such Original Transaction;

- (ii) the receiver of a particular currency in the near leg of such Original Transaction is the payer of such currency in the far leg of such Original Transaction; and
- (iii) such Original Transaction is denominated in the same Currency Pair (swap and FX) in both near leg and far leg of that particular Original Transaction.

#### 3.4.4.7 Trade Date

OTC Clear will accept an Original FX Forward Transaction or Original Deliverable FX Swap Transaction for registration only if the Trade Date of such Original Transaction falls on or prior to the date on which such Original Transaction is submitted for registration.

#### 3.4.5 Product Eligibility requirements for Original Standard Northbound Rates Derivatives Transactions

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

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

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

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

#### 3.4A Suspension of Product

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

In the event of the occurrence of a Product Suspension Event of a product, no Original Transactions or Original Northbound Transactions in such product will be accepted for registration and instead they will be rejected. In respect of all products except Original Standard Northbound Rates Derivatives

---

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

Transactions, OTC Clear may also, with prior consultation with the SFC, require Clearing Members to unwind any Contracts in a product which is subject to a Product Suspension Event which were registered before the effective date of Product Suspension Event. If Clearing Members fail to do so, OTC Clear, at its sole discretion, will be entitled to terminate any such Contracts, and all prevailing obligations of OTC Clear and the relevant Clearing Member in respect of such Contracts shall cease and be replaced with the obligation of OTC Clear or the relevant Clearing Member, as the case may be, to pay the close-out value determined in accordance with section 10.1(iii) of these Clearing Procedures. OTC Clear will, as soon as reasonably practicable on the Final Settlement Cycle Determination Date of such Product Suspension Event, notify the relevant Clearing Member of the close-out value determined in accordance with section 10.1(iii) of these Clearing Procedures payable by it, and the relevant Clearing Member shall pay OTC Clear such amount within one OTC Clear Business Day after the Final Settlement Cycle Determination Date. OTC Clear may, with prior consultation with the SFC, lift the suspension at any time.

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

### **3.5 Error Contract**

Pursuant to Clearing Rule 814, in the event OTC Clear terminates an Error Contract, the relevant Clearing Members who were parties to the Error Contract being terminated will be notified through the "OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)" in respect of an Error Contract which has been registered in a House Position Account or "OTC Clear Trade Report for Client (Report Number TDRP01\_C, TDRP02\_C or TDRP11\_C)" in respect of an Error Contract which has been registered in a Client Position Account. Both "OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)" and "OTC Clear Trade Report for Client (Report Number TDRP01\_C, TDRP02\_C or TDRP11\_C)" are available to the Clearing Members on the Web Portal. The status of any terminated Error Contract will be indicated in the "OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)" or "OTC Clear Trade Report for Client (Report Number TDRP01\_C, TDRP02\_C or TDRP11\_C)" as a rejected transaction. The status will be flagged as "DECLARED", "TERMINATED" or "TRANSFERED".

If OTC Clear determines that the value of the Error Contract has changed in between the time when the Variation Margin was last calculated and when such Error Contract was terminated, then OTC Clear will communicate to the relevant Clearing Members an amount representing such difference. The Clearing Members in whose names the Error Contracts were registered will then settle such difference between themselves without further involvement of OTC Clear.

OTC Clear will liaise with both the relevant Approved Trade Registration System and the relevant Clearing Members to facilitate the latest trade status of the Error Contract being updated in such Approved Trade Registration System.

### **3.6 De-registration**

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

Subsequent to the registration of an Original Transaction or an Original Northbound Transaction as two Contracts with OTC Clear, any proposed amendments to the terms of such Contracts, or termination or novation of such Contracts other than any transfer of Contracts relating to Clients in

accordance with Clearing Rule 825, may only be effected by first de-registering the Contracts through submission of a de-registration request to OTC Clear.

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

### 3.6.1 De-registration Conditions

A request to de-register a Contract will only be accepted by OTC Clear if the following conditions are met:

- (i) [Deleted]
- (ii) (a) the relevant Contract has not reached its scheduled Termination Date or Settlement Date, and has not been previously terminated and (b) the de-registration request is made in respect of more than one Contract and is submitted by or on behalf of only one of the two parties to the Original Transaction via an acceptable medium designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice. OTC Clear will accept such de-registration request only if the request identifies Contracts that (1) are registered to the same Position Account of such Clearing Member, (2) have substantially the same but opposite Economic Terms that offset each other, and (3) are grouped with the same batch ID as indicated in the “OTC Clear Compression Report (Report Number COMP01 and COMP01\_C)”. For the avoidance of doubt, de-registration of such Contracts will be processed on an all-or-nothing basis. The Margin Process referred to in section 4.6.5 of the Clearing Procedures must be satisfied with respect to the relevant Contracts being de-registered.

### 3.6.2 Process of De-registration

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

- (i) prior to submitting the de-registration request to OTC Clear, the Clearing Member shall identify and select the relevant Contracts for de-registration from the “OTC Clear Compression Report (Report Number COMP01 and COMP01\_C)” published at approximately 20:30 hours Hong Kong time on such OTC Clear Clearing Day available to the Clearing Members on the Web Portal;
- (ii) the Clearing Member shall submit a request for de-registration to OTC Clear before 11:30 hours Hong Kong time on an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than an OTC Clear Clearing Day or (b) after 11:30 hours Hong Kong time on such OTC Clear Clearing Day will be rejected;
- (iii) Clearing Members are able to check the status of the de-registration requests through the Web Portal. The relevant information will be updated in “OTC Clear Compression Report (Report Number COMP02 and COMP02\_C)” available at the Web Portal by 14:30 hours Hong Kong time on each OTC Clear Clearing Day; and
- (iv) if such request is approved by OTC Clear, the de-registration request will be processed by OTC Clear on the same day.

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



to time and notified to Clearing Members via Clearing Notice but will not be made available to the Clearing Members on the Web Portal.

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

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

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

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

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

### **3.6A Multilateral Compression**

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

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

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

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

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

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

### **3.7 Accounts**

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

### **3.8 Settlement Components**

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

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

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

The terms and provisions included in an ISDA Credit Support Annex published by ISDA will not form part of the Contract Terms of a Contract. As such, the Independent Amount (as defined in paragraph 10 of the ISDA Credit Support Annex (Bilateral Form-Transfer) published by ISDA) is not, and does not form part of the Settlement Component. OTC Clear is not responsible for, and will not be processing any transfer of Independent Amount and Clearing Member shall be responsible to put in place any relevant Collateral management procedures for processing any Independent Amount.

#### **3.8.1 Daily Settlement Components**

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

Market data (such as non-business days for different financial centers, any interest rate, exchange rate or price) which are applied to determine the daily settlement components will be published in the

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

### **3.8.1.1 Coupon Payment for a Standard Rates Derivatives Contract, a Standard Cross-currency Rates Derivatives Contract and a Non Deliverable Rates Derivatives Contract**

With respect to each of section 3.8.1.1.1 and section 3.8.1.1.2, if the Payment Date or Period End Date of a Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract is specified to be the 29<sup>th</sup>, 30<sup>th</sup> or 31<sup>st</sup> of a calendar month but there is not any such numerically corresponding day in the calendar month in which the Payment Date or Period End Date would otherwise fall, then the relevant Payment Date or Period End Date shall be deemed to fall on the last calendar day of the relevant calendar month, and be subject to adjustment in accordance with the Business Day Convention specified in the Contract Terms relating to such Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract or Non Deliverable Rates Derivatives Contract.

#### **3.8.1.1A Coupon Payment for a Standard Northbound Rates Derivatives Contract**

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

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

#### **3.8.1.1.1 Calculation of the Fixed Amount**

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

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

For the avoidance of doubt, irrespective of the Registration Time of a Contract, the Calculation Period of a Fixed Amount of such Contract is the period from and including the immediately preceding Period

End Date (or the Effective Date if such Calculation Period is the initial Calculation Period of that particular Contract) to but excluding the Period End Date of the relevant Calculation Period (or the Termination Date if such Calculation Period is the final Calculation Period of that particular Contract). Same calculation logic applies to Standard Northbound Rates Derivatives Contracts.

### 3.8.1.1.2 Calculation of the Floating Amount

- (i) In respect of a Standard Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Rates Derivatives Contract;
- (ii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in CNY, calculation of the Floating Amount is based on the methodologies stipulated in Section 4.9.5 of the ISDA Definitions and the Economic Terms specified in the relevant Non Deliverable Rates Derivatives Contract and the Compounding Date is deemed to be each relevant CNY 7-Repo Compounding Date in accordance with Section 4.9.3 of the ISDA Definitions;
- (iii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in INR, KRW, MYR or TWD, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Non Deliverable Rates Derivatives Contract;
- (iv) in respect of a Standard Cross-currency Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Cross-currency Rates Derivatives Contract; and
- (v) in respect of a Standard Northbound Rates Derivatives Contract, calculation of the floating interest amount is based on the economic terms specified in the relevant Standard Northbound Rates Derivatives Contract and the methodologies stipulated as follows:
  - (a) If the method of interest accrual is simple interest, the interest amount of each calculation period is equal to the sum of the interest amount for each fixing period. For the avoidance of doubt, please refer to article 5.5.2.1(2)1) of the SHCH Clearing Guidelines for the detailed formula.
  - (b) If the method of interest accrual is compound interest, the interest amount of each calculation period is equal to the sum of the interest amount for each fixing period. For the avoidance of doubt, please refer to article 5.2.2.1(2)2) of the SHCH Clearing Guidelines for the detailed formula.

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

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

### 3.8.1.1.3 Determination of the Rate for a Reset Date

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

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

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

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

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

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

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

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

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

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

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

#### **3.8.1.1.5 Calculation of the Settlement Currency Amount for a Non Deliverable Rates Derivatives Contract**

The methodology stipulated in Section 2.2(b)(ii) of the FX Definitions for calculation of the Settlement Currency Amount for a Non Deliverable Rates Derivatives Contract shall be deemed to be replaced

by the methodology stipulated in the ND IRS Template under the section entitled “Settlement Currency Amount”.

#### **3.8.1.1.6 Disruption Event and Disruption Fallback**

In respect of a Standard Rates Derivatives Contract or a Standard Cross-currency Rates Derivatives Contract which is denominated in CNY (offshore), in the event of the occurrence of a Disruption Event, the CNY (offshore) Disruption Provisions shall apply.

In respect of a Non Deliverable Rates Derivatives Contract, in the event of the occurrence of a Disruption Event, the relevant Disruption Fallback provisions stipulated in the ND IRS Template shall apply.

#### **3.8.1.2 Settlement Amount for a Non Deliverable FX Derivatives Contract**

##### **3.8.1.2.1 Calculation of the Settlement Currency Amount**

Calculation of the Settlement Currency Amount is based on the methodologies stipulated in Article 2 of the FX Definitions and the Economic Terms specified in the relevant Contract.

##### **3.8.1.2.2 Determination of the Settlement Rate**

The Settlement Rate, including the source and the time at which such source is obtained from the relevant provider, is determined in accordance with the FX Definitions and the EMTA Template.

##### **3.8.1.2.3 Adjustment to the Valuation Date and the Settlement Date**

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

If a holiday declaration affects a scheduled Valuation Date and/or Settlement Date of a Contract, an adjustment will be made in accordance with the Contract Terms and the EMTA Template which is applicable to the relevant Currency Pair, even if such holiday declaration in respect of a particular day which would otherwise have been a Currency Day occurs after 19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day on which a Valuation Date or Settlement Date is scheduled to fall.

Any update in the Settlement Date and/or the Settlement Currency Amount is reflected in the “OTC Clear Settlement Report (Report Number STRP05)” in respect of any payment relevant to a House Position Account or “OTC Clear Settlement Report for Client (Report Number STRP05\_C)” in respect of any payment relevant to a Client Position Account. Both “OTC Clear Settlement Report (Report Number STRP05)” and “OTC Clear Settlement Report for Client (Report Number STRP05\_C)” will be made available to the Clearing Members on the Web Portal.

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

##### **3.8.1.2.4 Disruption Event and Disruption Fallback**

In the event of the occurrence of a Disruption Event, the relevant Disruption Fallback provisions stipulated in the EMTA Template shall apply.

#### **3.8.1.3 Notional Amount Settlement for a Deliverable FX Forward Contract and a Deliverable FX Swap Contract**

#### 3.8.1.3.1 **Adjustment to the Settlement Date**

OTC Clear uses Copp Clark as the data provider of non-business days for different financial centers. OTC Clear will provide Clearing Members with regular updates of such non-business days through the “OTC Clear Market Data Report (Report Number MKDR03)”. Any ad-hoc update of such non-business days will be notified to the Clearing Members.

In respect of a Deliverable FX Derivatives Contract if an update of a Currency Day results in a Settlement Date falling on a non-Currency Day for any Contractual Currency of that particular Contract, such Settlement Date shall be adjusted to the immediately following day which is a Currency Day for each Contractual Currency of that particular Contract.

Any update in the Settlement Date is reflected in the “OTC Clear Settlement Report (Report Number STRP12)” in respect of any payment relevant to a House Position Account or “OTC Clear Settlement Report for Client (Report Number STRP12\_C)” in respect of any payment relevant to a Client Position Account. Both “OTC Clear Settlement Report (Report Number STRP12)” and “OTC Clear Settlement Report for Client (Report Number STRP12\_C)” will be made available to the Clearing Members on the Web Portal.

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

#### 3.8.1.3.2 **Disruption Event and Disruption Fallback**

In respect of a Deliverable FX Forward Contract or a Deliverable FX Swap Contract with one of the Notional Amounts denominated in CNY (offshore), in the event of the occurrence of a Disruption Event, the CNY (offshore) Disruption Provisions shall apply.

#### 3.8.2 **Fees and Interest**

OTC Clear has the right to charge fees or interest for its services at such rates as prescribed from time to time. A Clearing Member shall pay the fees and interest within the prescribed timeframe as indicated by OTC Clear.

Details of fees and interest are monitored throughout each calendar month. The “OTC Clear Settlement Reports (Report Number STRP07 and STRP08)” in respect of any fees and interest relevant to a House Account or “OTC Clear Settlement Reports for Client (Report Number STRP07\_C and STRP08\_C)” in respect of any fees and interest relevant to a Client Account which are published at the beginning of each calendar month stipulates the fees and interest to be paid by each Clearing Member for the immediately preceding calendar month.

The amount of fees and interest to be settled by a Clearing Member will be published in the “OTC Clear Settlement Report (Report Number STRP01)” in respect of any payment relevant to a House Account or “OTC Clear Settlement Report for Client (Report Number STRP01\_C)” in respect of any payment relevant to a Client Account. Such reports are available to the Clearing Members on the Web Portal. The fees and interest calculated by OTC Clear pursuant to the Clearing Rules and published in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01\_C)” shall be conclusive and binding, and shall be settled on the relevant “Value Date” as stipulated in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01\_C)” in accordance with section 3.12.



### 3.8.2.1 Fees

Types of fees which are applicable to a Clearing Member and Sponsored Settlement Member (where applicable) will be notified by OTC Clear to its Clearing Members and Sponsored Settlement Member from time to time and include, but are not limited to, the following:

- (i) annual fees, which are fees payable by each Clearing Member on an annual basis for the use of Rates and FX Clearing Services;
- (ii) registration fees, which are fees payable by each Clearing Member for registration of a Contract in its House Position Account or Client Position Account (if Client Clearing Services are provided by such Clearing Member). For the avoidance of doubt, registration fees relevant to a Contract are incurred at the time when such Contract is registered in the relevant Position Account;
- (iii) maintenance fees, which are fees payable by each Clearing Member on a monthly basis in respect of each Contract registered in its House Position Account or its Client Position Account (if Client Clearing Services are provided by such Clearing Member) until its maturity. For the avoidance of doubt, maintenance fees are incurred on a monthly basis to a Contract which remains registered in the relevant Position Account on the last OTC Clear Clearing Day in each calendar month;
- (iv) de-registration fees, which are fees payable by each Clearing Member in respect of each Contract previously registered in its name that has been de-registered in its House Position Account or its Client Position Account (if Client Clearing Services are provided by such Clearing Member). For the avoidance of doubt, de-registration fees in respect of a Contract are incurred at the time when such Contract is de-registered from the relevant Position Account;
- (v) costs of conducting an investigation or audit on a Clearing Member. Unless otherwise agreed by OTC Clear, such amounts should be borne by that Clearing Member;
- (vi) fees for resuming user access or resetting password for access to the Web Portal, which are fees payable by a Clearing Member who requests to have its designated password to be reset or retrieved by OTC Clear for the purpose of accessing the Web Portal. For the avoidance of doubt, the designated password for accessing the Web Portal will be provided by OTC Clear for free for first-time log-on. Such fees will be charged during the month of submission of the request for such reset or retrieval of password;
- (vii) fees for retrieval of reports subsequent to the same being removed from the Web Portal in accordance with section 3.16; and/or fees for delivery of print-out reports as requested by any Clearing Member or Sponsored Settlement Member (where applicable). For the list of reports available on the Web Portal, please refer to the “**Report Usage Guide**” (which is a user manual detailing the specification of each report published by OTC Clear, the guidance for interpreting the contents therein, and the frequency of publication of each such report). Such fees will be charged during the month of submission of the request for such retrieval of reports or delivery of print-out reports;
- (viii) fees for processing each request for porting of Contracts from a Transferor Clearing Member’s Client Position Account to a Transferee Clearing Member’s Client Position Account. For the avoidance of doubt, such fees are payable by the Transferee Clearing Member irrespective of whether each request results in successful porting;

- (ix) fees for processing each request for porting of Contracts between Client Position Accounts of the same Clearing Member. For the avoidance of doubt, such fees are payable by a Clearing Member irrespective of whether each request results in successful porting;
- (x) fees for processing each request for deposit, porting or withdrawal of non-cash Collateral by a Clearing Member. For the avoidance of doubt, such fees are payable by such Clearing Member irrespective of whether each request is successful;
- (xi) accommodation charges, administrative fees and/or commitment fees for credit lines in respect of any non-cash Collateral delivered by a Clearing Member for purposes of satisfying its Initial Margin requirements and/or its Additional Margin requirements in respect of its House Position Account and/or its Client Position Account (if Client Clearing Services are provided by such Clearing Member); and
- (xii) the Multilateral Compression Fees payable by each Compression Clearing Member who has agreed to participate in a Multilateral Compression Cycle for the implementation of the Unwind Proposal relating to that Multilateral Compression Cycle. For the avoidance of doubt, such fees become payable upon successful implementation of the Unwind Proposal that has been accepted by all Compression Clearing Members participating in that Multilateral Compression Cycle

Fees itemised in this section 3.8.2.1 are stipulated in the Fees Schedule (see Appendix I to these Clearing Procedures). OTC Clear shall be entitled to make any changes to the Fees Schedule and, in addition, OTC Clear reserves the right to waive any fee or to charge any additional fee prescribed by it from time to time by notifying such waiver or additional fee to Clearing Members via Clearing Notice.

For the avoidance of doubt, no fees will be charged for the porting of Contracts and Collateral held by a Defaulting Clearing Member to a Replacement Clearing Member upon the occurrence of a DMP Event.

### **3.8.2.2 Interest to be Paid / Received by Clearing Members in respect of Collateral Delivered to OTC Clear**

Please refer to Chapter 7 of these Clearing Procedures for details.

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

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

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

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

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

Procedures) standing to the credit of its relevant House Collateral Account, Participating Margin Collateral Account or Client Collateral Account, as the case may be, representing Excess Margin and/or Excess Participating Margin, as applicable;

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

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

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

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

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

### **3.9.2 Procedure for Voluntary Deposit of Cash Collateral**

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

- (i) the Clearing Member shall input a request for deposit via the collateral management window of the Web Portal before 17:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day or (b) after 17:00 hours Hong Kong time on such day will be rejected, except on a Northbound Clearing Day, OTC Clear will accept requests for deposit of CNY (offshore) input before 17:00 hours Hong Kong time on such day;
- (ii) the amount of deposit will be settled by the cash settlement method described in section 3.11.1;

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

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

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

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

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

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

Any request which is submitted after 12:00 hours Hong Kong time will be rejected and must be re-submitted on the next day that is both a Currency Day for the currency of the relevant cash Collateral and an OTC Clear Business Day. For the avoidance of doubt, any request for

porting of cash Collateral with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear;

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

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

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

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

3.9.4 [Deleted]

### 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		

<b>Type of securities acceptable as non-cash Collateral</b>	<b>Account and standard delivery instructions for House Business</b>	<b>Account and standard delivery instructions for Client Business</b>
US Treasury Notes	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†
Hong Kong Exchange Fund Bills Hong Kong Exchange Fund Notes	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†
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 in its Client Clearing Category 1 Collateral Account relating to that Client Clearing Category 1 Client. The Clearing Member in respect

\* 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.

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

Type of securities acceptable as non-cash Collateral	Sub-custodian	Minimum delivery amount
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/otccclrsett/chaicut.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:



<b>Type of non-cash Collateral to be withdrawn</b>	<b>Value Date for Settlement to be specified in each withdrawal request</b>	<b>Minimum withdrawal amount</b>
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, “ <b>New York Business Day</b> ” 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, “ <b>Hong Kong Business Day</b> ” 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, “ <b>Beijing Business Day</b> ” 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
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	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.  Where “ <b>CMU Settlement Day</b> ” means a day on which CMU is open for settlement of transfers of Bond Connect Securities.	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 maturity date of the relevant security.	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes	Where, " <b>New York Business Day</b> " means a day (other than Saturday and Sunday) on which commercial banks in	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
	New York City are open for general business.	
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, " <b>Hong Kong Business Day</b> " 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, " <b>Beijing Business Day</b> " 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
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	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.  Where " <b>CMU Settlement Day</b> " means a day on which CMU is open for settlement of transfers of Bond Connect Securities.	CNY (onshore)10,000 and integral multiples of CNY (onshore)10,000 in excess thereof

- (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	Where, " <b>New York Business Day</b> " 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, " <b>Hong Kong Business Day</b> " 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, " <b>Beijing Business Day</b> " 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.

### 3.11 Cash Settlement Method

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

- (a) in respect of a Clearing Member's House Business will be netted together;
- (b) in respect of a Clearing Member's Client Business, except in relation to any SSM Payment Amounts referred to in sub-paragraph (c) below (where applicable), will be netted together (for the avoidance of doubt, payments of such amounts in respect of Client Business will not be netted with amounts due in respect of House Business); and
- (c) in respect of a Clearing Member's Client Business and in relation to SSM Payment Amounts pertaining to the Position Account of a particular Sponsored Settlement Member (if applicable), will be netted together (for the avoidance of doubt, payments of such amounts will not be netted across different Sponsored Settlement Members).

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

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

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

In relation to its Client Business, other than in respect of any SSM Payment Amounts (where applicable), each Clearing Member is allowed to elect only one settlement account for each Contractual Currency in respect of each of the payment categories specified in sections 3.11(i) to (v) above.

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

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

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

### 3.11.1 RTGS

Except for the situation described in the immediately following paragraph and subject to section 3.11.2 below, all cash payments must be settled through the Real Time Gross Settlement system, where "**Real Time Gross Settlement**" (or "**RTGS**") means the settlement services provided by "**Hong Kong Interbank Clearing Limited**" ("**HKICL**"). For a Clearing Member who is not a member of the RTGS system, for cash settlement purpose, it should maintain an account with a member of the RTGS system.

If a Clearing Member is a member of the RTGS system, it may settle with the settlement bank of OTC Clear via the RTGS system either directly from its own account or from an account it maintains with a member of the RTGS system. Sponsored Settlement Members must settle directly with the settlement bank of OTC Clear via the RTGS system. The list of the settlement banks appointed by OTC Clear for settlement will be notified by OTC Clear to Clearing Members from time to time.

Except for settlements 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 which must be settled through the Bulk Settlement Run process, cash payments may not be settled through the RTGS system if the Clearing Member and OTC Clear use the same member of the RTGS system for settlement of a particular settlement currency and where a Sponsored Settlement Member has been appointed by OTC Clear as a settlement bank for a particular settlement currency, and in such case, cash payments will be settled through intra-bank transfer within the relevant settlement bank.

Any payment made through RTGS system will be irrevocable at the point in time set out in the relevant operating rules of the RTGS system.

Regardless of the initiator of the payment made in RTGS system, the Clearing Member shall ensure the correctness of such payment made to OTC Clear.

### 3.11.2 Bulk Settlement Run

- (i) In respect of the cash payments relevant to the settlements of Initial Exchange Amount and/or Final Exchange Amount of any Standard Cross-currency Rates Derivatives Contract and Notional Amounts of any Deliverable FX Derivatives Contract relevant to a Currency Pair (swap and FX) for a particular Clearing Member or Sponsored Settlement Member (where applicable), if the netted amounts of at least one of the currencies of a Currency Pair (swap and FX) derived in accordance with section 3.11 (v) is greater than zero, they must be settled through the Bulk Settlement Run process for such Currency Pair (swap and FX), where “**Bulk Settlement Run**” is a money clearing and settlement service linked with the RTGS system provided by HKICL, which settles interbank payments through a payment-versus-payment mechanism on a bulk settlement basis, “**payment-versus-payment**” (or “**PVP**”) is a mechanism whereby a transfer of one currency in a Currency Pair (swap and FX) occurs only if a transfer of the other currency in the Currency Pair (swap and FX) also takes place, and “**Bulk Settlement Run process**” is the settlement process comprising all the Bulk Settlement Runs in the same Currency Pair (swap and FX) on any particular payment date. For a Clearing Member who is not a member of the RTGS system, for cash settlement purpose, it should maintain an account with a member of the RTGS system. If a Clearing Member is a member of the RTGS system, it must settle directly through the Bulk Settlement Run process. A Sponsored Settlement Member must settle directly through the Bulk Settlement Run process.
- (ii) In normal circumstances, in respect of a particular payment date, the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD commences at 11:40 hours Hong Kong time, and the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore) commences at 12:00 hours Hong Kong time. The commencement times are subject to changes as set out in the relevant operating rules of the RTGS system. In respect of any Bulk Settlement Run process on a particular payment date, the commencement time of a Bulk Settlement Run process as set out in the relevant operating rules of the RTGS system is referred to as the “**Commencement Time**” in these Clearing Procedures.



- (iii) Any Bulk Settlement Run process which is not completed by the relevant Notional Exchange Settlement Cutoff Time will be cancelled in accordance with the relevant operating rules of the RTGS system.
- (iv) For the avoidance of doubt, the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore) will commence after the completion or cancellation of the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, in any case no earlier than 12:00 hours Hong Kong time.
- (v) Where 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, if the Clearing Member is a member of the RTGS system, it must settle directly with the settlement banks appointed by OTC Clear via the RTGS system and Sponsored Settlement Members must settle directly with the settlement banks appointed by OTC Clear via the RTGS system.
- (vi) Each Clearing Member and Sponsored Settlement Member (where applicable) authorizes OTC Clear to instruct HKICL and each Settlement Institution on the amounts to be cleared and settled in any Bulk Settlement Run process by submitting to HKICL one or more files containing money clearing and settlement instructions between members of the RTGS system. Each Clearing Member (if it is a member of the RTGS system) and Sponsored Settlement Member (where applicable) authorizes and instructs HKICL and each Settlement Institution, or (if it is not a member of the RTGS system) agrees to ensure that each member of the RTGS system with which it maintains an account authorizes and instructs HKICL and each Settlement Institution, to accept such instructions from OTC Clear and to debit and/or credit the accounts of the members of the RTGS system in accordance with such instructions from OTC Clear. Each Clearing Member and Sponsored Settlement Member (where applicable) agrees to ratify and confirm all instructions given, and all actions taken, in good faith by OTC Clear in relation to the matters set out in this section 3.11.2. **“Settlement Institution”** means any of the settlement institutions (in relation to HKD and USD) and clearing bank (in relation to CNY (offshore)) of the RTGS system.
- (vii) Any payment made through any Bulk Settlement Run process and/or other methods as determined by OTC Clear will be irrevocable at the point in time set out in the relevant operating rules of the RTGS system.

### 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.

### 3.15 Tax

Any Additional Amount payable by a Clearing Member in respect of tax will be recorded in the "OTC Clear Settlement Report (Report Number STRP08)" in respect of any Additional Amount relevant to a House Account or "OTC Clear Settlement Report for Client (Report Number STRP08\_C)" in respect of any Additional Amount relevant to a Client Account. The Clearing Member shall settle such Additional Amount within the prescribed timeframe set out in the "OTC Clear Settlement Report (Report Number STRP08)" and "OTC Clear Settlement Report for Client (Report Number STRP08\_C)". Please refer to sections 3.11 and 3.12 for settlement method and settlement time.

### 3.16 Reporting

All reports published by OTC Clear will be made available to Clearing Members or Sponsored Settlement Members (where applicable) on the Web Portal. Please refer to the "**Web Portal User Manual**" (which is a user manual detailing the process of raising a request for movement of Collateral or retrieving a report via Web Portal) and the Report Usage Guide for details. Clearing Member or the Sponsored Settlement Member can print the reports locally or download the reports in a machine-readable data-file format.

All reports reflect the latest record of OTC Clear. Reports will remain available for download by Clearing Member or the Sponsored Settlement Member for 12 OTC Clear Clearing Days from the date it is first made available on the Web Portal. Subsequent to the removal of the reports from the Web Portal, a Clearing Member or the Sponsored Settlement Member may request OTC Clear to provide such reports either by delivery in print-out form, or by providing such Clearing Member or the Sponsored Settlement Member with access to retrieve such reports electronically, in each case, subject to a fee as set out in section 3.8.2.1.

The relevant identification number, publication frequency, report name and guidance for interpreting the contents of each report are set out in the Report Usage Guide. Please refer to the Report Usage Guide for further details.

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

Upon receipt of valid instructions from a Client, a Transferee Clearing Member may request that OTC Clear port some or all of the Contracts which are registered on behalf of such Client from a Transferor Clearing Member's Client Position Account to a Client Position Account identified as being held by such Transferee Clearing Member for such Client and, if applicable, to also port all of the Collateral held on behalf of such Client from a Transferor Clearing Member's Client Collateral Account to such Transferee Clearing Member's Client Collateral Account.

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

A Transferee Clearing Member must submit a separate porting request for each Client. In respect of each porting request, each Transferee Clearing Member is deemed to acknowledge, represent and undertake that:

- (a) it has received proper Client authorization for the instructions contained in such porting request;

- (b) it is solely responsible for the accuracy and completeness of the information contained in such porting request;
- (c) OTC Clear is entitled to rely conclusively on the instructions and information provided in such porting request without further enquiry; and
- (d) 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.

If any information and/or instructions provided by the Transferee Clearing Member in a porting request is incomplete, inaccurate or inconsistent with its records, OTC Clear may, in its sole and absolute discretion, reject such porting request or liaise with such Clearing Member to rectify the relevant information and/or instruction.

### 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;

---

\* Available on request from OTC Clear

- (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.

**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.

**3.17.3 Partial Portfolio Porting**

**Requirements**

Each partial 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 should contain complete details of the Contracts that the Transferee Clearing Member wishes to port. Please note that OTC Clear is unable to facilitate any porting of Collateral together with the corresponding Contracts as part of the partial portfolio porting process;
- (ii) the relevant Contracts are being ported from a Client Position Account identified as being held by the relevant Transferor Clearing Member for a particular Client to a Client Position Account identified as being held by the Transferee Clearing Member for the same Client;
- (iii) details of the particular Client and the Contracts identified as being registered 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;
- (iv) since Collateral cannot be ported concurrently with the relevant Contracts, the Transferee Clearing Member must ensure that there is sufficient Collateral comprising the Margin Balance of the relevant Client Collateral Account prior to the submission of the porting request;

---

\* Available on request from OTC Clear

- (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; and
- (vii) the Transferee Clearing Member's standard settlement instruction for each relevant Contractual Currency of the Contracts being ported is in place.

#### 3.17.4 No porting of Collateral in a partial portfolio porting

Please note that OTC Clear is unable to facilitate any porting of Collateral together with the corresponding Contracts as part of the partial portfolio porting process. The Transferee Clearing Member must therefore ensure that there is sufficient Collateral comprising the Margin Balance of the relevant Client Collateral Account prior to the submission of the porting request, otherwise porting will fail.

#### 3.17.5 Consent from Transferor Clearing Member

Upon receipt of a porting request from a Transferee Clearing Member on a particular day, OTC Clear will, no later than 19:00 hours Hong Kong time on such day notify the relevant Transferor Clearing Member and request that the Transferor Clearing Member complete and return an original signed Transferor Clearing Member reply form\* no later than 09:00 hours Hong Kong time two (2) OTC Clear Business Days after receipt of such porting request, indicating either:

- (i) its consent to such porting request; or
- (ii) its objection to such porting request, together with its reasons for such objection.

For the avoidance of doubt, OTC Clear is not in a position to adjudicate on the merits of a Transferor Clearing Member's objection or override a Transferor Clearing Member's objection in favour of its Client. In the event that the Transferor Clearing Member objects to such porting request or fails to submit the original signed Transferor Clearing Member reply form within the deadline specified in the foregoing, OTC Clear will reject such porting request and the Transferee Clearing Member must re-submit a fresh request.

#### 3.17.6 Timing

A porting request satisfying, in the opinion of OTC Clear, the requirements set out in sections 3.17.1 or 3.17.3 above, as applicable, and the conditions set out in the Clearing Rules which is received by OTC Clear by 13:00 hours Hong Kong time on an OTC Clear Business Day will be processed by OTC Clear and OTC Clear will use its reasonable endeavours to complete such porting request by 20:30 hours Hong Kong time on the third OTC Clear Business Day following the date of receipt of such request. Porting requests received by OTC Clear on a day which is not an OTC Clear Business Day or after 13:00 hours Hong Kong time on an OTC Clear Business Day, will be deemed to be received on the next OTC Clear Business Day. OTC Clear will notify the Transferor Clearing Member and the Transferee Clearing Member through their web portal of the date and time on which each porting request has been successfully effected (the "**Porting Completion Time**").

OTC Clear shall not be liable to any person in any way whatsoever for any delay of or failure/rejection of a porting request.

---

\* Available on request from OTC Clear



**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)".

**3.17.8 Payments and obligations due from the relevant Transferor Clearing Member**

Notwithstanding the submission of a porting request in respect of the Contracts in a Client Position Account and the Collateral in its corresponding Client Collateral Account, payment and other obligations due in respect of that Client Position Account and its corresponding Client Collateral Account prior to the relevant Porting Completion Time of such porting request will continue to be obligations of the relevant Transferor Clearing Member.

For the avoidance of doubt, if a porting request is rejected by OTC Clear or cannot be completed successfully, payment and other obligations due in respect of that Client Position Account and its corresponding Client Collateral Account will continue to be obligations of the relevant Transferor Clearing Member.

**3.17.9 Payments and obligations due from the Transferee Clearing Member**

Payment and other obligations due in respect of the Contracts in a Client Position Account and the Collateral in its corresponding Client Collateral Account on and after the relevant Porting Completion Time of a porting request will be obligations of the Transferee Clearing Member.

**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.

### 3.18.1 Requirements

Each porting request submitted pursuant to section 3.18 will only be accepted and processed by OTC Clear if all of the following conditions are satisfied:

- (i) the Clearing Member submits to OTC Clear an original completed and signed form for portfolio porting between Client Accounts at the same Clearing Member\*;
- (ii) Contracts and Collateral are being ported from a Client Position Account and corresponding Client Collateral Account identified as being held by the Clearing Member relating to a particular Client to a Client Position Account and corresponding Client Collateral Account identified as being held by the Clearing Member relating to the same Client;
- (iii) details of the particular Client and the Contracts and Collateral identified as being held by the Clearing Member relating to such Client as set out in the porting request match OTC Clear's

---

\* Available on request from OTC Clear

records of such Client's holdings in the Clearing Member's relevant Client Position Account and corresponding Client Collateral Account;

- (iv) the Clearing Member must ensure that there is sufficient Collateral\* comprising the Margin Balance of the relevant Client Collateral Account corresponding to the Client Position Account into which Contracts are being ported no later than 19:00 hours Hong Kong time on the fourth OTC Clear Business Day following the submission of the porting request; and
- (v) no DMP Event has occurred with respect to the Clearing Member.

### 3.18.2 Timing

A porting request satisfying the requirements set out in section 3.18.1 above which is received by OTC Clear by 13:00 hours Hong Kong time on an OTC Clear Business Day will be processed by OTC Clear and OTC Clear will use its reasonable endeavours to complete such porting request by 19:30 hours Hong Kong time on the fourth OTC Clear Business Day following the date of receipt of such request. Porting requests received by OTC Clear on a day which is not an OTC Clear Business Day or after 13:00 hours Hong Kong time on an OTC Clear Business Day, will be deemed to be received on the next OTC Clear Business Day. OTC Clear will notify the Clearing Member through the web portal of the date and time on which each porting request has been successfully effected.

OTC Clear shall not be liable to any person in any way whatsoever for any delay of or failure/rejection of a 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)";

---

\* It is likely that the Margin requirements are likely to increase for example where a Client wishes to port Contracts and Collateral from a Client Clearing Category 2 Position Account identified as relating to such Client to a Client Clearing Category 1 Position Account identified as relating to such Client.

- (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)”; and
- (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)”.

### 3.19 Notional Exchange Failure Handling Procedures

Following the occurrence of a Notional Exchange Failure:

- (i) OTC Clear may, on the basis of the Notional Exchange Failure, determine that the Non-delivering Clearing Member is or appears to be unable, or likely to become unable, to meet its obligations in respect of the Clearing Documentation and/or one or more Contracts to which it is party, such that an Event of Default occurs with respect to the Non-delivering Clearing Member pursuant to Clearing Rule 1301 (an “**Event of Default Determination**”); and
- (ii) irrespective of whether OTC Clear makes an Event of Default Determination in respect of that Notional Exchange Failure:
  - (a) subject to sub-paragraph (d) below, OTC Clear will continue the settlement of Initial Exchange Amounts and Final Exchange Amounts of Standard Cross-currency Rates Derivatives Contracts and the settlement of Notional Amounts of Deliverable FX Derivatives Contracts with other Clearing Members. Such settlement may be processed by means of Bulk Settlement Run(s) and/or any other methods as determined by OTC Clear;
  - (b) OTC Clear may, in its sole discretion, obtain one or more short term loans and/or enter into one or more FX Transactions in order to fulfil OTC Clear’s outstanding obligations with other Clearing Members under Standard Cross-currency Rates Derivatives Contracts or Deliverable FX Derivatives Contracts;
  - (c) if the relevant Initial Exchange Amount or Final Exchange Amount under a Standard Cross-currency Rates Derivatives Contract or the relevant Notional Amount under a Deliverable FX Derivatives Contract, as the case may be (the “**Unpaid Exchange Amount**”), remains unpaid: (a) in respect of a Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, 15 minutes after the Commencement Time of such Bulk Settlement Run process; or (b) in respect of a Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore), 15 minutes after the Commencement Time of such Bulk Settlement Run process, on the relevant Initial Exchange Date or Final Exchange Date or Settlement Date, as the case may be, OTC Clear may, in its sole discretion, elect to satisfy its obligation to pay the Corresponding Exchange Amount in the following manner:
    - (A) the obligation of the Non-delivering Clearing Member, or of the Sponsored Settlement Member (where applicable), to pay the Unpaid Exchange Amount shall be replaced by an obligation to pay an amount (the “**Substitute Exchange Amount**”) equal to (and payable in the same currency and on the same date as) the Corresponding Exchange Amount. The obligation of OTC Clear to pay the Corresponding Exchange Amount shall be immediately and automatically set-off against the obligation of the Non-delivering Clearing Member, or the relevant Sponsored Settlement Member (where applicable), to pay the Substitute Exchange Amount such that each such obligation is discharged in full;

- (B) OTC Clear shall determine the Notional Exchange Failure Adjustment Amount in respect of the Unpaid Exchange Amount; and
  - (C) if that Notional Exchange Failure Adjustment Amount is a positive number, the Non-delivering Clearing Member, or the Sponsored Settlement Member (where applicable), shall pay it to OTC Clear immediately upon demand and if that Notional Exchange Failure Adjustment Amount is a negative number, OTC Clear shall pay the absolute value of such amount to the Non-delivering Clearing Member (subject to any rights of set-off against amounts owed by the Non-delivering Clearing Member to OTC Clear, including, without limitation, amounts owed by the Non-delivering Clearing Member pursuant to Clearing Rule 1002A) or the relevant Sponsored Settlement Member (where applicable), as soon as practicable;
- (d) in the event that OTC Clear is unable, as a result of that Notional Exchange Failure, to satisfy its obligation to pay any part or the whole of an Initial Exchange Amount or Final Exchange Amount under a Standard Cross-currency Rates Derivatives Contract and/or any part or the whole of a Notional Amount under a Deliverable FX Derivatives Contract (each such amount the “**Affected Amount**”) with any other Clearing Member (the “**Affected Clearing Member**”), or the Sponsored Settlement Member (where applicable) (the “**Affected SSM**”), in the currency in which the Affected Amount is denominated by 16:00 hours Hong Kong time on the relevant Initial Exchange Date or Final Exchange Date or Settlement Date, as the case may be:
- (A) OTC Clear shall promptly notify the Affected Clearing Member or Affected SSM of OTC Clear’s inability to do so; and
  - (B) OTC Clear may, in its sole discretion, elect to satisfy its obligation to pay that Affected Amount in the following manner:
    - (i) the obligation of OTC Clear to pay the Affected Amount shall be replaced by an obligation to pay an amount (the “**Substitute Affected Amount**”) equal to (and payable in the same currency and on the same date as) the Corresponding Affected Amount. The obligation of the Affected Clearing Member or the Affected SSM (where applicable) to pay the Corresponding Affected Amount shall be immediately and automatically set-off against the obligation of OTC Clear to pay the Substitute Affected Amount such that each such obligation is discharged in full;
    - (ii) OTC Clear shall determine the Notional Exchange Failure Adjustment Amount in respect of the Unpaid Exchange Amount (if not already calculated pursuant to sub-paragraph (c) above); and
    - (iii) if that Notional Exchange Failure Adjustment Amount is a positive number, OTC Clear shall pay an amount equal to that amount to the Affected Clearing Member or the Affected SSM (where applicable) and if it is a negative number, the Affected Clearing Member or the Affected SSM (where applicable) shall pay an amount equal to the absolute value of such amount to OTC Clear, in each case as soon as practicable, but in no event later than 2 OTC Clear Business Days after the relevant Initial Exchange Date or Final Exchange Date or Settlement Date, as the case may be; and

- (e) unless and until the Non-delivering Clearing Member or Sponsored Settlement Member (where applicable) fails to pay or deliver any amounts (excluding Notional Amounts of Deliverable FX Derivatives Contracts and/or Initial Exchange Amounts and Final Exchange Amounts of Standard Cross-currency Rates Derivatives Contracts) when due under the Clearing Documentation or an Event of Default occurs with respect to the Non-delivering Clearing Member, OTC Clear will continue the settlement of cash settlements (other than Notional Amounts of –Deliverable FX Derivatives Contracts and/or Initial Exchange Amounts and Final Exchange Amounts of Standard Cross-currency Rates Derivatives Contracts) with the Non-defaulting Clearing Member, or the Sponsored Settlement Member (where applicable), in accordance with section 3.11 of these Clearing Procedures.

For the purpose of this section 3.19:

**“Corresponding Affected Amount”** means, in respect of an Affected Amount, the corresponding Notional Amount of a Deliverable FX Derivatives Contract and/or Initial Exchange Amount or Final Exchange Amount of a Standard Cross-currency Rates Derivatives Contract (as the case may be) payable by the relevant Affected Clearing Member, or the Affected SSM (where applicable), to OTC Clear on the Settlement Date and/or on the Initial Exchange Date or Final Exchange Date (as the case may be) for that Affected Amount;

**“Corresponding Exchange Amount”** means, in respect of an Unpaid Exchange Amount, the corresponding Notional Amount of a Deliverable FX Derivatives Contract and/or Initial Exchange Amount or Final Exchange Amount of a Standard Cross-currency Rates Derivatives Contract (as the case may be) payable by OTC Clear to the Non-delivering Clearing Member, or to the Sponsored Settlement Member (where applicable) on the Settlement Date and/or the Initial Exchange Date or Final Exchange Date (as the case may be) for that Unpaid Exchange Amount;

**“Market Quotation”** means, in respect of an Unpaid Exchange Amount, an amount that would be payable by OTC Clear in the currency of the Corresponding Exchange Amount in consideration for receiving an amount equal to (and in the same currency as) that Unpaid Exchange Amount based on the relevant spot foreign exchange rate published by the Treasury Markets Association on the relevant Initial Exchange Date or Final Exchange Date or Settlement Date, as the case may be; and

**“Notional Exchange Failure Adjustment Amount”** means, in respect of an Unpaid Exchange Amount, an amount equal to the Market Quotation in respect of that Unpaid Exchange Amount minus the Corresponding Exchange Amount, provided that if such Market Quotation cannot be determined, OTC Clear will determine the Notional Exchange Failure Adjustment Amount (or a method for determining the Notional Exchange Failure Adjustment Amount), taking into consideration all available information that in good faith it deems relevant.

### **3.20 Mandatory Notional Exchange Risk Limit Reduction Procedures**

#### **3.20.1 Additional Margin**

If a Clearing Member exceeds any of its Notional Exchange Risk Limits, OTC Clear may demand that the relevant exceeding Clearing Member post Additional Margin in cash, in such amounts and in such specific settlement currency(ies) within such specified times as OTC Clear may in its sole and absolute discretion determine.

#### **3.20.2 Selective Transaction Matching Process**

If the relevant exceeding Clearing Member fails to comply with such demand by the time specified by OTC Clear, OTC Clear shall create a notional portfolio of transactions between OTC Clear and the

relevant exceeding Clearing Member designed to reduce the relevant exceeding Clearing Member's settlement risk below its relevant Notional Exchange Risk Limit(s). OTC Clear shall, in the first instance, attempt to match each transaction in such notional portfolio with any other Clearing Member(s) with settlement obligations in the same currency as the settlement obligation of the relevant exceeding Clearing Member under that notional transaction, on terms determined by OTC Clear in a commercially reasonable manner. If each relevant exceeding Clearing Member and each such matched Clearing Member consents to such terms and agrees to enter into Standard Cross-currency Rates Derivatives Contract and/or Deliverable FX Derivatives Contracts corresponding to such notional transactions, OTC Clear shall create and register the relevant risk reducing Contracts with each relevant Clearing Member (such that the economic terms for OTC Clear in respect of each such Contract with the relevant exceeding Clearing Member are the same as the economic terms for the relevant matched Clearing Member under the corresponding Contract).

### **3.20.3 Quotation Process**

If, following the process described in above, a Notional Exchange Risk Limit exceedance is still continuing, OTC Clear shall, in good faith, assist the relevant exceeding Clearing Member to obtain firm quotations in respect of such notional portfolio or part thereof from other Clearing Members who are active dealers in the obligations of the type for which quotations are being obtained. The quotation process shall be conducted in strict confidence. OTC Clear will not disclose the identity of the relevant exceeding Clearing Member. OTC Clear will also not disclose to any Clearing Member providing a quote the identity and quotations submitted by the other Clearing Members.

Upon completion of the quotation process, OTC Clear shall present the highest firm quotations received to the relevant exceeding Clearing Member. If the relevant exceeding Clearing Member agrees to enter into Contracts corresponding to the transactions comprised in such notional portfolio in respect of which quotations are received, and on the terms of such quotations, OTC Clear shall then create and register such Contracts in the names of the relevant exceeding Clearing Member and the relevant Clearing Members that provided the relevant quotations (such that the economic terms for OTC Clear in respect of each such Contract with the relevant exceeding Clearing Member are the same as the economic terms for the relevant Clearing Member under the corresponding Contract).

The quotation process shall be run separately and independently for each relevant exceeding Clearing Member and may be repeated by OTC Clear at its sole and absolute discretion as many times as is necessary in respect of a notional portfolio until all transactions in such portfolio have been successfully taken up, provided that, for the avoidance of doubt, OTC Clear shall not be precluded from taking any other action available to it under the Clearing Rules at any time.

### **3.20.4 No Liability**

Each relevant Clearing Member acknowledges that:

- (i) OTC Clear is carrying out the procedures referred to in this section 3.20 to ensure the on-going integrity of the Rates and FX Clearing Service in the interests of OTC Clear, the other Clearing Members who have not exceeded their Notional Exchange Risk Limits and the investing public; and
- (ii) in respect of any actions carried out by OTC Clear and the Clearing Members in respect of the procedures referred to in this section 3.20, provided that the relevant party has acted in good faith, it shall not have any liability 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 any of its such actions or decisions.