

OTC Clearing Hong Kong Limited Clearing Procedures

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Preface

Objective

These Clearing Procedures seek to provide information for Clearing Members in relation to the operations of the Rates and FX Clearing Services.

Other Documentation

The ATRS Guide sets out each data field on an Approved Trade Registration System accepted by OTC Clear, and the application of values in respect of certain data fields, in each case, for the purpose of submission of an Original Transaction for registration as Contracts via the relevant Approved Trade Registration System.

The Report Usage Guide details 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.

The Web Portal User Manual intends to give Clearing Members guidance on the functionalities and operational features of the Web Portal. Core features of the Web Portal illustrated in the Web Portal User Manual include, but are not limited to, report retrieval, collateral management (for example, progress update relating to any request for depositing or withdrawing Collateral) and the what-if margin simulator.

Readership

All Clearing Members and their staff involved in using the Rates and FX Clearing Services provided by OTC Clear should ensure that they are familiar with these Clearing Procedures.

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Chapter 1

Introduction to Clearing Procedures

1.1 Interpretation

These Clearing Procedures form part of the Clearing Rules. The information contained herein must be read in conjunction with the Clearing Rules. Unless otherwise specified, definitions and terminologies set forth in these Clearing Procedures carry the same meanings as defined in the Clearing Rules. All other definitions and terminologies set forth in these Clearing Procedures which are not defined in the Clearing Rules shall have the same meanings as defined herein. The Glossary included at the end of these Clearing Procedures provides the page reference of which each of these terms is defined.

1.2 Amendments

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

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

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

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

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

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

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

Chapter 2

Membership

2.1 Membership Application Process

2.1.1 Application Form

An Applicant must complete OTC Clear's membership application form (the "**Application Form**"), which can be found on the HKEX website or obtained directly from OTC Clear's office. The Application Form together with the supplementary documents (please see section 2.1.2) should be submitted to OTC Clear for its review.

OTC Clear reserves the right to amend the form of the Application Form from time to time.

For further information, please contact OTC Clear at:

OTCMembership@hkex.com.hk

2.1.2 Document Checklist for Membership Assessment (One-Off)

Each Applicant is required to submit the documents listed in the Application Form to OTC Clear for membership assessment purpose. Applicants should contact OTC Clear at OTCMembership@hkex.com.hk in case of any queries relating to the nature or contents of the documents required to be submitted to OTC Clear for membership assessment purpose.

In respect of any documents to be submitted to OTC Clear that are not written in the English language, Applicants shall provide OTC Clear with copies of English translations for the same, with any translation costs to be borne by the relevant Applicant. All English translation shall be prepared by translators acceptable to OTC Clear and certified by such translators to the effect that the English translation accurately and completely reflects the contents of the document in its original language.

2.1.3 Inspection and Site Visit

An on-site inspection may be required for membership assessment purpose. An on-site inspection will be mandatory for any Applicant that has not been a clearing member of any over-the-counter central clearing counterparty of international repute for a continuous period of 5 years before the date of its application to OTC Clear. Applicants should make themselves available for inspection provided that OTC Clear has given 28 calendar days' written notice prior to the proposed inspection date, or such other notice period as OTC Clear and the relevant Applicant may otherwise agree.

OTC Clear will provide an Applicant with details of the area to be inspected in the inspection notice, for example, OTC Clear may inspect an Applicant's risk management systems and other systems.

2.1.4 Review and Assessment Process

OTC Clear will collect and review information provided by each Applicant for the purpose of assessing its membership eligibility. The processing of an application will vary from case to case, but it is expected that the application review process should generally be completed within two months from the date OTC Clear is in receipt of all required documents and information.

2.1.5 Approval of Application

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

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

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

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

2.1.6 Execution of Membership Agreement and Initial Contribution to the Rates and Guarantee Fund

An Applicant's Membership will only become effective if OTC Clear has received the following:

- (i) two copies of the Membership Agreement signed by the authorized signatory(ies) of the Applicant; and
- (ii) such Applicant's initial contribution to the Rates and FX Guarantee Fund, as determined pursuant to section 6.1.1 of these Clearing Procedures, to be delivered to OTC Clear within the time period set out in Clearing Rule 1504.

2.1.7 Designated Person

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

2.1.8 Additional Documents Required and Membership Requirements in respect of Non-Hong Kong Incorporated Persons

Where a Licensed Corporation or an Authorized Institution with jurisdiction of incorporation outside Hong Kong, or a Remotely Regulated Entity (a "**Non-Hong Kong Incorporated Person**") applies to become a Clearing Member, OTC Clear may require such Non-Hong Kong Incorporated Person to demonstrate in its application the ability to satisfy the obligations of a Clearing Member (including but not limited to those set out in Clearing Rule 401(4)), and to provide legal opinions on, among others, the enforceability of OTC Clear's rights under the Clearing Documentation against such Non-Hong Kong Incorporated Person if it were a Clearing Member in respect of the jurisdiction of incorporation of such Non-Hong Kong Incorporated Person.

OTC Clear may, at its discretion, apply more stringent on-going risk monitoring to Non-Hong Kong Incorporated Persons and require such persons to implement sufficient outsourcing arrangements to be able to participate in fire drills and support the Default Management Process upon the occurrence of a DMP Event.

2.2 Future Categories of Membership

Pursuant to Clearing Rule 301, OTC Clear may, after consultation with the Risk Management Committee, establish one or more categories of membership in the future. OTC Clear will notify the Clearing Members of any new category(ies) of membership established, and provide details of the same.

2.3 Clearing Members' On-going Requirements and Obligations

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

2.3.1 Capital Requirement

With respect to each Clearing Member, in addition to maintaining Capital in an amount not less than the Minimum Capital Requirement applicable to it set out in Clearing Rules 403 and 404, it shall also:

- (i) maintain Capital in an amount not less than its Rates and FX Liability;
- (ii) maintain Capital in an amount not less than its Expected Uncollateralized Loss as determined in accordance with section 6.1.1 of these Clearing Procedures; and
- (iii) on any day, maintain Capital in an amount such that the value of its CM Funded Contribution Amount (determined on such day as if it was a Rates and FX Contribution Determination Date) is less than 20% of the then total amount of its Capital.

2.3.2 Operational Requirement

OTC Clear requires each Clearing Member to have operational capabilities to perform trade affirmation, contract settlement, portfolio valuation, portfolio reporting and system linkage with an Approved Trade Registration System. Please refer to section 3.2 of these Clearing Procedures for general information relating to such Approved Trade Registration System.

2.3.3 Risk Management Requirement

Pursuant to Clearing Rule 401(9)(c), OTC Clear requires all Clearing Members to have established adequate risk management systems that are applied appropriately. This will include having risk management policies and procedures in place to ensure different aspects of risk are properly managed. Each Clearing Member's risk management systems, policies and procedures shall include, without limitation, the following:

(i) Market and Credit Risk Management

Each Clearing Member must have adequate risk policies and procedures in place to manage market and credit risk exposures of its trading portfolios submitted for registration with OTC Clear. Unless with the prior written approval from OTC Clear, a Clearing Member shall, as part of its risk management policies and procedures, set appropriate limits on the aggregate risk exposure of its House Position Account and (if it provides Client Clearing Services) on the risk exposure of each of its Client Position Accounts by utilizing the House Account Limit and/or Client Account Limit as described further in section 4.6.1 of these Clearing Procedures.

(ii) Default Management Process Participation

Clearing Members shall cooperate with OTC Clear in implementing the Default Management Process, including but not limited to:

- (a) participating in regular drills/tests (as set out in Clearing Rule 401(19));
- (b) providing market access for Hedging (as set out in Chapter 18 of the Clearing Rules and sections 8.2 and 8.5 of these Clearing Procedures); and
- (c) bidding in one or more Auctions during the Default Management Process (as set out in Chapter 19 of the Clearing Rules and section 8.6 of these Clearing Procedures).

- (iii) Client Risk Management (only applicable to Clearing Members who provide Client Clearing Services)

A Clearing Member that provides Client Clearing Services must have adequate risk policies and procedures to mitigate, monitor and control client credit risk as well as fulfil the requirements as stipulated in the Membership Application Form.

- (iv) Margin

A Clearing Member must deliver Collateral to satisfy its Margin requirements. Please refer to Chapter 12 of the Clearing Rules and Chapter 4 of these Clearing Procedures for details.

- (v) Rates and FX Guarantee Fund and Rates and FX Assessments

A Clearing Member must deliver Collateral to OTC Clear in respect of its CM Funded Contribution Amount, as calculated and demanded by OTC Clear, taking into account any applicable Collateral Haircuts on a monthly basis or at such other times as required pursuant to Clearing Rule 1503. A request by OTC Clear to deliver additional Collateral in respect of a Clearing Member's CM Funded Contribution Amount shall be satisfied by the relevant Clearing Member within 1 OTC Clear Business Day from the date such request is delivered to the Clearing Member.

In addition to the CM Funded Contribution Amount, a Clearing Member may be required to pay in cash its CM Unfunded Contribution Amount. More details can be found in Clearing Rules 1506 and 1507 and Chapter 6 of these Clearing Procedures.

2.3.4 Outsourcing

Each Clearing Member must have the ability to perform its operational and risk management functions (including participating in fire drills and in the Default Management Process) as required under the Clearing Documentation. To the extent that a Clearing Member wishes to have part or all of its operational and risk management functions performed by one or more of its Affiliates, such Clearing Member must have received written approval from OTC Clear to that effect prior to outsourcing or delegating such functions to the relevant Affiliate(s). OTC Clear will withhold its approval if a Clearing Member is seeking to outsource all of its risk management functions to its Affiliate who is also its Client. A Clearing Member who has outsourced part or all of its operational and risk management functions to its Affiliate(s) shall remain responsible to OTC Clear for the performance of all such functions pursuant to the Clearing Documentation. OTC Clear may revoke any approval in relation to the outsourcing or delegation of operational and risk management functions of a Clearing Member by providing such Clearing Member with written notice revoking the relevant approval. For the avoidance of doubt, a Clearing Member may not outsource its operational and risk management functions to any person other than its Affiliates.

2.3.5 On-going Reporting Requirement

A Clearing Member shall satisfy its obligations to provide OTC Clear with all relevant information as set out in Clearing Rules 401(13), 501, 503 and 504.

2.4 Client Clearing

A Clearing Member may apply to provide Client Clearing Services by completing part B of the Application Form.

2.5 Changes to conditions of Membership

Any request to change any condition(s) of Membership, including but not limited to the type(s) of Contracts that a Clearing Member may submit for registration or whether it may provide Client Clearing Services, must be submitted to OTC Clear in writing.

Upon receipt of such request, OTC Clear may, at its discretion, require additional information or documents from such Clearing Member, conduct on-site inspection of such Clearing Member, or require such Clearing Member to submit a new Application Form. After assessing such request, OTC Clear will notify the Clearing Member in writing whether any requested change to condition(s) of Membership is approved or rejected.

2.6 Notification

- (i) In accordance with Clearing Rule 501(3), each Clearing Member is required to provide notification to OTC Clear for the events and changes specified below, within the periods specified herein:

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| Subject to OTC Clear's approval | any addition or removal of a Designated Person attached to a Clearing Member |
| At least 10 OTC Clear Business Days prior to the relevant event | any change in the settlement instructions by a Clearing Member |
| At least two OTC Clear Business Days prior to the relevant event | any of the following: (i) where practicable, any registration of new Contracts, or de-registration of existing Contracts from the House Position Account or any Client Position Account(s) of a Clearing Member that will or is expected to result in the Initial Margin requirement relating to such House Position Account or Client Position Account(s) meeting or exceeding a certain percentage threshold designated, and notified, by OTC Clear from time to time. The initial percentage threshold relevant for this purpose is set as 20%; or (ii) any change in the names or contact details of the persons designated by the Clearing Member in the Application Form as responsible officers for handling operational and risk matters. |
| Immediate notice by telephone and followed by notice in writing as soon as reasonably practicable | (i) any transfer, change or cessation of a Clearing Member's business which has a material effect on the Clearing Member's over-the-counter derivatives trading business. A "material effect" on the Clearing Member's OTC derivatives trading business will be deemed to have occurred if any transfer, change or cessation of a Clearing Member's business leads to: (ii) - the Initial Margin requirement relating to the House Position Account or the Client Position Account(s) of such Clearing Member meeting or exceeding a certain percentage threshold designated and notified by OTC |

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| | <p>Clear from time to time. The initial percentage threshold relevant for this purpose is 20%; and</p> <p>- the value of such change is in excess of the Rates and FX Minimum Contribution Amount; or</p> <p>(iii) de-registration of all Contracts recorded in the name of the Clearing Member (please refer to section 3.6 of these Clearing Procedures).</p> |
| Within 7 OTC Clear Business Days after the occurrence of the relevant event | <p>any change in any of the following in relation to the Clearing Member:</p> <p>(i) the legal or business name;</p> <p>(ii) the registered office address provided by the Clearing Member and stated on the Application Form;</p> <p>(iii) any chief executive or equivalent;</p> <p>(iv) share capital; or</p> <p>(v) auditor.</p> |

- (ii) In addition to the matters set out in sub-paragraph (i) above, each Clearing Member is also required to provide notification to OTC Clear for the events and changes specified below, within the periods specified herein:

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| As soon as the relevant event is identified | <p>(i) any action, proceeding or investigation instituted against the Clearing Member by or on behalf of any Governmental Authority, self-regulatory organization, other regulatory authority exercising any disciplinary functions to which the Clearing Member is subject or any Clearing Organization to which the Clearing Member is a member; or</p> <p>(ii) any action, proceeding or investigation instituted against any member of the board of directors, chief executive officer, chief financial officer or chief operations officer (or its equivalent) of the Clearing Member by or on behalf of any Governmental Authority, self-regulatory organization, other regulatory authority exercising any disciplinary functions to which the Clearing Member is subject or any Clearing Organization to which the Clearing Member is a member.</p> |
|---|---|

The above lists are not intended to be exhaustive and a Clearing Member is expected to notify OTC Clear of any matter set out in Clearing Rule 501 in writing without delay, provided that any materially adverse or time sensitive changes that may affect a Clearing Member's eligibility to continue as a Clearing Member shall be notified to OTC Clear by telephone promptly and followed by notice in writing as soon as reasonably practicable.

2.7 Audit, Inspection or System Tests

Pursuant to Clearing Rule 401(18), officers or employees of OTC Clear or such persons appointed by OTC Clear may:

- (i) from time to time inspect and copy the statements, books, records, accounts and other documents maintained by a Clearing Member relating to Contracts; and/or
- (ii) conduct audits or system tests of each Clearing Member's operations related to its business with OTC Clear. Audit and system tests shall be conducted during business hours, and it is expected that, under normal circumstances, there will not be more than two audits being conducted within the same year with respect to a Clearing Member.

In addition, OTC Clear will conduct an on-site inspection of each Clearing Member at least once every 3 years.

A Clearing Member shall provide or allow relevant officers or employees or appointed persons of OTC Clear access to its premises, systems, statements, books, records, accounts and other documents necessary to discharging their duty for the purpose of carrying out the audit or system tests. A Clearing Member shall be entitled to deny entry to a representative of OTC Clear for the purpose of audit or system tests if it has reasonable grounds to believe any such representatives are conflicted in their role as an inspector or auditor, and has, in OTC Clear's reasonable determination, provided sufficient evidence to OTC Clear to substantiate such alleged conflict of interest.

Any costs and expenses reasonably incurred as a result of an inspection (including an on-site inspection) or audit or system test directed by OTC Clear under Clearing Rule 401(18) shall be borne by the Clearing Member concerned. OTC Clear will obtain at least two independent quotes for any such inspection or audit or system test.

If, upon the completion of an inspection or audit, OTC Clear is of the view that modifications are necessary to a Clearing Member's business activities, in whole or in part, such Clearing Member shall enter into good faith discussions with OTC Clear as to the necessary extent of any modifications and the timescale within which such Clearing Member will make such modifications.

2.8 Suspension, Termination and Resignation

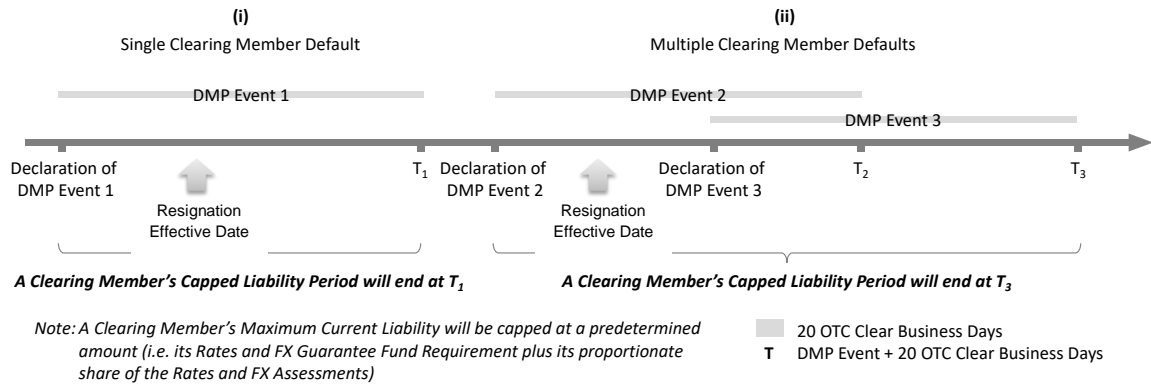
Membership may be suspended by OTC Clear in accordance with Chapter 6 of the Clearing Rules or terminated by OTC Clear in accordance with Clearing Rule 1311 or 1405.

A Clearing Member may resign from its Membership by giving written notice to OTC Clear in accordance with Clearing Rules 604 to 612.

2.9 Capped Liability Period

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

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



Chapter 3

Rates and FX Clearing Services and Clearing Link Services

3.1 Overview

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

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

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

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

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

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

3.2 Approved Trade Registration System

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

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

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

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

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

3.3 Process of Registration and Rejection

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

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

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

Transaction will be put on “pending” status and flagged as “WAIT_MARGIN”, “LIMIT_FAILED” or “PROCESSING” in the “OTC Clear Trade Report (Report Number TDRP03, TDRP04, TDRP12 or TDRP17)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C, TDRP12_C or TDRP17_C)” in relation to any Client Position Account.

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

Original Northbound Transactions submitted for registration before 17:30 hours Hong Kong time on a Northbound Clearing Day, will be processed on the same day. Original Northbound Transactions submitted to OTC Clear for registration on a day which is not a Northbound Clearing Day, or at or after 17:30 hours Hong Kong time on a Northbound Clearing Day will be rejected. If a Client of a Clearing Member submits an Original Northbound Transaction for registration with OTC Clear, the relevant Clearing Member must either (i) confirm its acceptance of the clearing of such Original Northbound Transaction as soon as practicable after being contacted by OTC Clear and in any case before 17:30 hours Hong Kong time on a Northbound Clearing Day, otherwise such Original Northbound Transaction will be rejected or, (ii) have provided an authenticated consent form* to OTC Clear that it agrees to accept clearing of such Original Northbound Transaction so long as the aggregate risk exposure of all Standard Northbound Rates Derivatives Contracts booked into the relevant Client Position Account, including the relevant Standard Northbound Rates Derivatives Contract to be created upon the novation of such Original Northbound Transaction, does not exceed the pre-approved risk limit(s) specified by the relevant Clearing Member, based on the risk exposure calculated by OTC Clear at the time of submission of such Original Northbound Transaction; if such limit(s) will be exceeded, the relevant Clearing Member has instructed OTC Clear to reject such Original Northbound Transaction; if 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 |
| | Single currency basis swaps | CNY (offshore) | CNY-SHIBOR | 11 years | One month, three months, six months and one year |
| | | | CNH-HIBOR | | |
| | | 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):

| Currency Pairs (swap) | Mandatory Financial Center |
|------------------------------|-----------------------------------|
| 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:

| Business Day Convention |
|--------------------------------|
| Following |
| Modified Following |

| |
|--------------------------------|
| Business Day Convention |
| 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 |
| | 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 | 0 | N/A | N/A | N/A |
| | | INR | INR-MIBOR-OIS Compound | | | | |
| | | KRW | KRW-CD 91D | | | | |
| | | 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

| Floating Rate Option | Mandatory Financial Center |
|-----------------------------|-----------------------------------|
| 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:

| Currencies for settlement for Additional Payments | Financial center |
|--|-------------------------|
| 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:

| Instrument | Currency Pair (swap and FX) | Maximum Residual Term |
|---|--------------------------------|--------------------------|
| 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 "TRANSFERRED".

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 29th, 30th or 31st 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 31st of a calendar month, the relevant payment date or period end date shall be deemed to fall on the last calendar day of the relevant calendar month, and be subject to adjustment in accordance with the business day convention specified in the contract terms relating to such Standard Northbound Rates Derivatives Contract.

3.8.1.1.1 Calculation of the Fixed Amount

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

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

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

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

3.8.1.1.2 Calculation of the Floating Amount

- (i) In respect of a Standard Rates Derivatives Contract, calculation of the Floating Amount is based on the methodologies stipulated in Section 6.2 of the ISDA Definitions and the Economic Terms specified in the relevant Standard Rates Derivatives Contract;
- (ii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in CNY, calculation of the Floating Amount is based on the methodologies stipulated in Section 4.9.5 of the ISDA Definitions and the Economic Terms specified in the relevant Non Deliverable Rates Derivatives Contract and the Compounding Date is deemed to be each relevant CNY 7-Repo Compounding Date in accordance with Section 4.9.3 of the ISDA Definitions;
- (iii) in respect of a Non Deliverable Rates Derivatives Contract which is denominated in INR, KRW, MYR 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 http://www.shibor.org/ | 11:00 UTC+8 |
| FR007 | The 7-day Interbank Repo Fixing Rate that People's Bank of China authorized the National Interbank Funding Center to release on http://www.chinamoney.com.cn | 11:30 UTC+8 |
| SHIBOR_3M | The Shanghai Interbank Offered Rate that People's Bank of China authorized the National Interbank Funding Center to release on http://www.shibor.org/ | 11:00 UTC+8 |

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

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

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

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

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

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

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

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

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

3.8.1.1.5 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 | | |

| 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 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 | 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 Notes | | |
| 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/chairecut.htm>

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

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

- (i) prior to requesting withdrawal of any non-cash Collateral then deposited with OTC Clear, the Clearing Member should ensure that there is a positive balance of the relevant security represented by the relevant international securities identification number assigned by the International Securities Identification Numbers Organization ("**ISIN code**") standing to the credit of its House Collateral Account or relevant Client Collateral Account, as the case may be, and that such Collateral represents Excess Margin;
- (ii) the Clearing Member shall input a request for withdrawal of the relevant security via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on an OTC Clear Clearing Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a "**Non-cash Collateral Withdrawal Notice**") via the collateral management window of the Web Portal that it wishes to withdraw any part of such Excess Margin under this section 3.10.2(ii).

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

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

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

- (iv) a porting request which does not comply with the above parameters or which is submitted after 12:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected and must be re-submitted on the next OTC Clear Clearing Day with the necessary amendments;
- (v) a porting request which if processed would result in the Clearing Member breaching a Concentration Limit imposed on it will be rejected;
- (vi) if such porting request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal; and
- (vii) if such porting request is approved by OTC Clear, upon confirmation from its sub-custodian that the relevant securities have been transferred from OTC Clear’s account with its sub-custodian in which Collateral for Clearing Members’ House Business is held to OTC Clear’s

account with its sub-custodian in which Collateral for Clearing Members' Client Business is held, OTC Clear will update the Margin Balance of the Clearing Member's House Collateral Account and its relevant Client Collateral Account to reflect such porting. For the avoidance of doubt, the Clearing Member will continue to be responsible for complying with any Margin calls until the Margin Balance of the relevant Client Collateral Account has been updated, regardless of the value date on which such securities are transferred at OTC Clear's sub-custodian.

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

3.11 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.

Chapter 4

Margin and Valuation

4.1 Margin Requirement

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

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

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

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

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

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

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

(iii) Additional Margin

- (a) Holiday Margin (see section 4.5.1) – OTC Clear may impose Holiday Margin in the circumstances described in section 4.5.1. Holiday Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Holiday Margin requirements either in cash in any Eligible Currency or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures;
- (b) Others (see section 4.5.2) – OTC Clear may also impose additional Margin in the circumstances described in section 4.5.2. Each of Holiday Margin, Notional Exchange Failure Margin and any additional Margin imposed by OTC Clear in the circumstances described in section 4.5.2 shall be "**Additional Margin**". Additional Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Additional Margin requirements either in cash in any Eligible Currency (provided that if a specific Eligible Currency is demanded by OTC Clear, the relevant Additional Margin requirement may only be satisfied in that Eligible Currency) or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures. OTC Clear may demand Additional Margin on each OTC Clear Clearing Day: at 08:30 hours Hong Kong time, at 14:15 hours Hong Kong time and at any other time determined by OTC Clear between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time; and
- (c) Notional Exchange Failure Margin (see section 4.5.3) – OTC Clear may also demand Notional Exchange Failure Margin in the circumstances described in section 4.5.3.

(iv) Participating Margin

Participating Margin (see section 4.5A) covers the aggregate of: (i) the potential future exposure that OTC Clear could face in normal market conditions in the interval between its last

Variation Margin collection in respect of each Inter-CCP Rates Derivatives Contract recorded to the Special Clearing House Participant's House Position Account and the close-out of such Contracts following the occurrence of a DMP Event with respect to the Special Clearing House Participant and OTC Clear; and (ii) the IM Add-on (as defined in section 11.6.1(i) of these Clearing Procedures).

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

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

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

4.2 Initial Margin

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

4.2.1 Initial Margin Calculation Parameters and Methodology

Initial Margin is calculated with respect to each Clearing Member's portfolio of Contracts recorded in each of such Clearing Member's Position Account (for the avoidance of doubt, each Client Position Account shall be treated separately) using an internally-built value-at-risk margin model based on simulation of historical data. Stress scenarios will be calibrated using historical volatility for yield and FX curves. Please contact OTC Clear for details.

Initial Margin is calculated in a different manner with respect to a Clearing Member's House Position Account and Client Position Account(s):

- (i) in respect of a House Position Account, the Initial Margin calculation will meet single-tailed confidence level of at least 99.0% with respect to a 5-OTC Clear Clearing Day close-out period; and
- (ii) in respect of a Client Position Account, the Initial Margin calculation will meet single-tailed confidence level of at least 99.0% with respect to a 7-OTC Clear Clearing Day close-out period.

4.2.2 Alteration to Initial Margin Calculation Parameters and Methodology

The Initial Margin calculation parameters and methodology are back-tested and reviewed regularly by the OTC Clear. OTC Clear may alter the Initial Margin calculation parameters and methodology where appropriate. Please contact OTC Clear for details.

4.2.3 Risk Multiplier

Save and except for the Liquidity Risk Multiplier described in section 4.2.3.1 which OTC Clear may decide to impose in its sole discretion, OTC Clear may, in consultation with the Risk Management Committee, include different risk multipliers as part of the Initial Margin calculation where appropriate. The applicability of risk multipliers and the relevant thresholds will be reviewed regularly by OTC Clear. OTC Clear will notify Clearing Members if it decides to adopt a risk multiplier.

4.2.3.1 Liquidity Risk Multiplier

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

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

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

4.2.3.2 Notional Exchange Risk Multiplier

The notional exchange risk multiplier (the "**Notional Exchange Risk Multiplier**") is one type of risk multiplier that may be imposed by OTC Clear. OTC Clear will apply the Notional Exchange Risk Multiplier to the Initial Margin calculation of a Clearing Member's Position Account based on the aggregate of the Initial Exchange Amounts and/or Final Exchange Amounts of the Standard Cross-currency Rates Derivatives Contracts and Notional Amounts of the Deliverable FX Derivatives Contracts in a Clearing Member's House Position Account and its Client Position Accounts.

To calibrate the Notional Exchange Risk Multiplier, OTC Clear may solicit bid/ask spread data or request other information from Clearing Members (including but not limited to market volatility or market liquidity of different currency pair(s) over different time horizons). The level of the Notional Exchange Risk Multiplier may vary from time to time, and OTC Clear will notify the Clearing Members of the revised Notional Exchange Risk Multiplier.

After the application of the Notional Exchange Risk Multiplier, OTC Clear may request additional Collateral from Clearing Members.

4.3 Variation Margin

Variation Margin covers OTC Clear's calculation of the amount that is required to settle the daily or intra-day diminution in the net present value (if any) of the Contracts in each Position Account. Collection of Variation Margin helps to ensure that the risk exposure assumed by OTC Clear is constantly monitored and that OTC Clear remains risk neutral.

4.3.1 Calculation and Valuation Process

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

4.3.2 Price Alignment Interest

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

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

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

where,

- (i) $NPV_{T_{-1}}$ is the net present value determined as at 19:00 hours Hong Kong time on T_{-1} or such other time on T_{-1} as OTC Clear considers appropriate and notifies to the Clearing Members from time to time, where "**T₀**" is an OTC Clear Business Day and "**T₋₁**" is the OTC Clear Business Day immediately preceding T_0 ;
- (ii) "**PAI Rate**" means the annual percentage rate is determined by OTC Clear by reference to the relevant end-of-day overnight index swap ("**OIS**") curves calculated on T_{PAI} , where "**T_{PAI}**" is the Currency Day (for the relevant Contractual Currency) immediately preceding T_0 if the relevant OIS curves are available on such day (T_{-1}), or if the relevant OIS curves are not available on T_{-1} , the last relevant OIS curves available (for the avoidance of doubt, if T_{PAI} falls on a day other than a Currency Day, the relevant OIS curves the nearest immediately preceding Currency Day will be used); and
- (iii) "**Accrual Factor**" means the day count fraction that is used by OTC Clear to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year with a number of days equal to:
 - (a) 360 calendar days; or

- (b) 365 calendar days,

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

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

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

4.4 Intra-day Variation Margin

4.4.1 Intra-day Variation Margin Call and Calculation

There are two types of intra-day Variation Margin calls:

- (i) Routine Intra-day VM Call as set out in section 4.4.2; and
- (ii) Ad Hoc Intra-day VM Call as set out in section 4.4.3.

4.4.2 Routine Intra-day VM Call

Each Clearing Member has its intra-day Variation Margin limit ("**Intra-day VM Limit**") which is the threshold level at which a Routine Intra-day VM Call will be triggered in respect of such Clearing Member's Contracts recorded to its House Position Account only (for the avoidance of doubt, no Routine Intra-day VM Call shall be made in respect of any Client Position Account(s)). OTC Clear will set an Intra-day VM Limit for each Clearing Member based on, including without limitation, the following factors:

- (i) OTC Clear's determination of the relative change in Margin requirements in respect of such Clearing Member's House Position Account;
- (ii) prevailing market conditions;
- (iii) OTC Clear's evaluation of the financial condition of such Clearing Member and its Affiliates; and
- (iv) OTC Clear's evaluation of the operational capability of such Clearing Member and its Affiliates.

Each Clearing Member will be notified of the Intra-day VM Limit applicable to it, and such Intra-day VM Limit will be reviewed by OTC Clear on a regular basis.

Between the hours of 08:30 hours Hong Kong time and 14:00 hours Hong Kong time on each OTC Clear Business Day, OTC Clear may, at regular intervals, calculate the aggregate Initial Margin and Additional Margin requirements in respect of each Clearing Member's House Position Account, taking into consideration any Variation Margin requirements reflecting intra-day market movements. In the event that the aggregate Initial Margin and Additional Margin requirement in respect of such House Position Account, taking into account any Variation Margin requirements reflecting intra-day market movements, exceeds the aggregate value of the Margin Balance relating to such Clearing Member's House Position Account by an amount equal to or greater than the Intra-day VM Limit in respect of such Clearing Member, OTC Clear will make a routine intra-day Variation Margin call (a "**Routine Intra-day VM Call**") with respect to such Clearing Member on such OTC Clear Business Day. The time of the Routine Intra-day VM Call will be the same on any OTC Clear Business Day and will be published on the HKEX website (the "**Routine VM Call Time**"). References to "intra-day market

movements” as used in this section 4.4.2 means, with respect to an OTC Clear Clearing Day, any mark-to-market movements during the period from the completion of the End-of-Day Settlement Process on the immediately preceding OTC Clear Clearing Day to the time preceding the Routine VM Call Time, taking into account the latest market data then available, on such OTC Clear Clearing Day.

If, prior to OTC Clear making a Routine Intra-day VM Call on an OTC Clear Business Day, the relevant Clearing Member has delivered additional Collateral such that the breach of the Intra-day VM Limit described in the immediately foregoing paragraph has been cured, no Routine Intra-day VM Call will be made on such OTC Clear Business Day.

4.4.3 **Ad Hoc Intra-day VM Call**

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

Once OTC Clear determines that an Ad Hoc Intra-day VM Call shall be imposed, such imposition of Ad Hoc Intra-day VM Call shall apply to each Clearing Member with respect to each Contract then registered in its name (including its House Position Account and Client Position Account, if any). In determining the amount of Collateral required with respect to each Contract as a result of the Ad Hoc Intra-day VM Call, no PAI adjustment will be made in the determination of an Ad Hoc Intra-day VM Call. Upon imposition of an Ad Hoc Intra-day VM Call in respect of a Position Account, each Clearing Member must deposit Collateral to ensure that it has a Margin Balance on the corresponding Collateral Account that is equal to or greater than the Margin requirement on that Position Account.

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

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

4.4.4 **Settlement of Intra-day Variation Margin**

Collateral for satisfaction of any intra-day Variation Margin call (including both the Routine Intra-day VM Call described in section 4.4.2 and Ad Hoc Intra-day VM Call described in section 4.4.3) must be received by OTC Clear within one hour after the call is made.

For the avoidance of doubt, notwithstanding section 4.7, if subsequent to an Ad Hoc Intra-day VM Call, and the delivery of Collateral by a Clearing Member to settle such call, the market price movements of the relevant Contract results in there being gains recorded to the relevant Collateral Account relating to the Clearing Member, the sum representing such gains will not be paid to the Clearing Member through the End-of-Day Settlement Process on the relevant day as part of the Variation Margin payable by OTC Clear to such Clearing Member, but will be reflected as Excess Margin in the relevant Collateral Account which can be withdrawn or transferred as set out in sections 3.9 and 3.10.

4.5 Additional Margin

Pursuant to Clearing Rules 1208 and 1510, OTC Clear may at its discretion impose Additional Margin requirements on any Clearing Member in the circumstances described in this section 4.5. Any delivery of Collateral for the purpose of satisfying an Additional Margin requirement pursuant to this section 4.5 will be recorded by OTC Clear in the relevant Collateral Account.

4.5.1 Holiday Margin

One such Additional Margin requirement is the temporary Margin adjustment on each Position Account to cover potential market volatility during days which are not OTC Clear Business Days ("**Holiday Margin**"). Such potential market volatility refers to the additional market risk that OTC Clear may have to bear arising from significant overseas market movements during such days. The calculation of Holiday Margin is based on an internally-built exponentially weighted moving average model with reference to the number of days in the relevant period. Details of the Holiday Margin levels will be notified to Clearing Members prior to the beginning of the relevant period. For example, if Monday is not an OTC Clear Business Day, Clearing Members will be notified of the level of Holiday Margin on the second OTC Clear Business Day preceding such Monday (i.e. the immediately preceding Thursday). The relevant Holiday Margin call will be made by OTC Clear at 08:30 hours Hong Kong time on the OTC Clear Business Day preceding such Monday (i.e. the immediately preceding Friday), and Clearing Members shall satisfy in full the Holiday Margin by 09:30 hours Hong Kong time on the same day.

4.5.2 Others

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

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

(viii) if a particular Deliverable FX Forward Contract or Deliverable FX Swap Contract of a Clearing Member is registered by OTC Clear one day before any forthcoming Settlement Date of that particular Deliverable FX Forward Contract or Deliverable FX Swap Contract, where such day is (1) a Currency Day for each Contractual Currency of that particular Deliverable FX Forward Contract or Deliverable FX Swap Contract and (2) an OTC Clear Clearing Day; or

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

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

4.5.3 Notional Exchange Failure Margin

OTC Clear may also demand Notional Exchange Failure Margin in the circumstances described in Clearing Rule 1002A. A Clearing Member must satisfy its Notional Exchange Failure Margin requirements in such form, in such amount and at such time as may be requested by OTC Clear pursuant to Clearing Rule 1002A.

4.5A Participating Margin

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

4.6 Margin Process

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

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

4.6.1 Position Limits

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

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

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

4.6.1.1 Account Limits

Unless with the prior written approval from OTC Clear, a Clearing Member shall, as part of its risk management policies and procedures pursuant to section 2.3.3 of these Clearing Procedures, set a limit for all of its House Position Account (“**House Account Limit**”) and/or (if it provides Client Clearing Services) for each of its Client Position Account(s) separately (each a “**Client Account Limit**”, and together with House Account Limit, the “**Account Limits**”) in the Rates and FX Clearing System by utilizing the risk limit functionality. A Clearing Member shall inform OTC Clear in writing prior to making any changes to any Account Limits.

Notwithstanding that a Clearing Member may set any Account Limits, OTC Clear reserves the right to change any Account Limits from time to time if OTC Clear determines in its sole discretion that such Account Limits are not appropriate or commercially reasonable. OTC Clear will provide the relevant Clearing Member with reasonable advance notice, and in any event no less than two OTC Clear Business Days, prior to effecting any changes to the Account Limits, provided that if any such changes are required by Applicable Laws or the rules, regulations or requests of a Regulatory Authority, then OTC Clear may implement such changes without prior notice to the Clearing Member. Under normal circumstances, OTC Clear will most likely only lower an Account Limit. However, OTC Clear may consider increasing such Account Limits during the Default Management Process (for example, to allow porting of Affected Contracts to a Replacement Clearing Member) or for backloading of historical portfolios.

4.6.1.2 Absolute Risk Limit

OTC Clear may impose an absolute risk limit (the “**Absolute Risk Limit**”) in respect of any Position Account. OTC Clear will use reasonable endeavours to provide the relevant Clearing Member with reasonable advance notice prior to imposing any Absolute Risk Limit. The Absolute Risk Limit is essentially a cap on OTC Clear’s risk exposure to the relevant Position Account (for such purpose, each Client Position Account will be treated separately). An Absolute Risk Limit will be established based on Margin, position or risk sensitivities relating to each relevant Position Account.

4.6.1.3 Notional Exchange Risk Limit

OTC Clear will impose notional exchange risk limits (each a “**Notional Exchange Risk Limit**”) in respect of Standard Cross-currency Rates Derivatives Contracts and Deliverable FX Derivatives Contracts on each Position Account. For each Position Account, a separate Notional Exchange Risk Limit shall be set per currency, such that a Notional Exchange Risk Limit shall apply to all Standard Cross-currency Rates Derivatives Contracts and Deliverable FX Derivatives Contracts recorded in each of the relevant Clearing Member’s Position Accounts with the relevant currency as one of the Contractual Currencies. The Notional Exchange Risk Limit is established to limit OTC Clear’s risk exposure in respect of Initial Exchange Amounts and/or Final Exchange Amounts payable to OTC Clear under Standard Cross-currency Rates Derivatives Contracts and Notional Amounts payable to OTC Clear under Deliverable FX Derivatives Contracts. Each Clearing Member will be subject to the aggregate of the Notional Exchange Risk Limits imposed on its Position Accounts. Each Sponsored Settlement Member (where applicable) will be subject to a Notional Exchange Risk Limit that is equivalent to or less than the Notional Exchange Risk Limit imposed on the relevant Clearing Member’s House Position Account. OTC Clear will use reasonable endeavours to provide Clearing Members and Sponsored Settlement Members (where applicable) with reasonable advance notice prior to imposing or amending a Notional Exchange Risk Limit. In the event that a Notional Exchange Risk Limit is fully utilised, Clearing Member may post additional cash Collateral in the same currency as the Notional Exchange Risk Limit as Additional Margin to reduce the utilisation of the relevant Notional Exchange Risk Limit and to accommodate more trades for registration.

4.6.2 **Margin and Credit Check – Real-Time Novation Process**

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

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

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

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

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

For the avoidance of doubt, Participating Margin requirements are assessed separately and do not form part of the Margin and credit check process described above. A Clearing Member’s Excess Participating Margin does not form part of its Margin Balance and must be ported into the relevant House Collateral Account or Client Collateral Account in order for such excess Collateral to be reflected as Margin Balance. OTC Clear will calculate Participation Margin requirements at regular intervals throughout a Northbound Clearing Day and if necessary make a demand for Participating Margin at the next scheduled Participating Margin call.

4.6.3 [Deleted]

4.6.4 **Pending Trades**

In respect of any “pending” Original Transactions to be registered in the name of a Clearing Member as Contracts, the Clearing Member will be notified, via the relevant Approved Trade Registration System,

or report via the web portal, of the amount of Collateral required from it in order for all such “pending” Original Transactions to satisfy the Margin Process and be registered as Contracts.

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

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

4.7 **End-of-Day Valuation and Settlement Process**

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

The End-of-Day Settlement Process will capture the incremental risk exposure for a Clearing Member on any given OTC Clear Clearing Day and any given Northbound Clearing Day. OTC Clear performs its regular Variation Margin calculation during the End-of-Day Settlement Process, and any Variation Margin gains determined in favour of a Clearing Member resulting from the market price movements of a Contract on such day will be redelivered to the relevant Clearing Member through the End-of-Day Settlement Process. If an OTC Clear Clearing Day or a Northbound Clearing Day is not a Currency Day for the Contractual Currency in which the Variation Margin is denominated, then OTC Clear will not make, or demand, a Variation Margin payment in respect of such Contract during the End-of-Day Settlement Process on such OTC Clear Clearing Day or Northbound Clearing Day. The relevant

Variation Margin will be made, or demanded, by OTC Clear on the immediately following Currency Day for the relevant Contractual Currency. For the avoidance of doubt, whilst any Variation Margin gains as a result of market price movements will be redelivered to a Clearing Member through the End-of-Day Settlement Process, any Collateral constituting the Excess Margin will only be redelivered to a Clearing Member (or in the case of Excess Margin represented by Client Bond Connect Securities, redelivered to the relevant Client Clearing Category 1 Client) upon the Clearing Member's request pursuant to Clearing Rule 1218.

4.7.1 Margin Reporting

Clearing Members can obtain certain information relating to end-of-day settlement curves, market price movements, Initial Margin, Additional Margin, Participating Margin, Variation Margin and net present value, in each case, relating to one or more of its Position Accounts on the Web Portal.

Sponsored Settlement Members (where applicable) can also obtain certain information in respect of Variation Margin (other than Routine Intra-day Variation Margin) relating to the relevant Clearing Member's Position Account on the Web Portal.

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

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

4.7.2 Settlement of Margin Requirements

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

| Margin requirements | Demand made by OTC Clear | Latest time in which Margin requirements shall be satisfied | Form of Collateral |
|---------------------------------|---|---|--|
| End-of-day Initial Margin | At 08:30 hours Hong Kong time on an OTC Clear Clearing Day via Margin call issued on the Web Portal | 09:30 hours Hong Kong time on the OTC Clear Clearing Day on which the Margin call is made | Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures |
| Ad hoc intra-day Initial Margin | At any time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear on an | Within an hour following demand made by OTC Clear | Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures |

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

| Margin requirements | Demand made by OTC Clear | Latest time in which Margin requirements shall be satisfied | Form of Collateral |
|----------------------------------|---|--|--|
| | OTC Clear Clearing Day and a Northbound Clearing Day via Margin call on the Web Portal | | |
| End-of-day Variation Margin | On an OTC Clear Clearing Day and Northbound Clearing Day by publication in the OTC Clear Settlement Report (Report Number STRP01) or "OTC Clear Settlement Report for Client ((Report Number STRP01_C)" | 11:00 hours Hong Kong time on the OTC Clear Clearing Day or Northbound Clearing Day immediately following the publication of the end-of-day Margin report, provided that such day is a Currency Day for the currency in which the end-of-day Variation Margin is denominated | Cash only in the Contractual Currency of the relevant Contract |
| Routine Intra-day VM Call | At the Routine VM Call Time on an OTC Clear Business Day via Margin call on the Web Portal | Within an hour following the Routine Intra-day VM Call | Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures |
| Ad Hoc Intra-day VM Call | At any time determined by OTC Clear on an OTC Clear Clearing Day and Northbound Clearing Day via Margin call on the Web Portal | Within an hour following demand made by OTC Clear | Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures |
| Holiday Margin | At 08:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period via Margin call on the Web Portal | By 09:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period | Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures |
| Notional Exchange Failure Margin | At any time determined by OTC Clear on an OTC | Within 90 minutes following demand made by OTC Clear | Cash only in the specified Eligible Currency required by |

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

4.7.3 Settlement of SSM Payment Amounts

A Clearing Member's obligations to pay SSM Payment Amounts to OTC Clear and OTC Clear's obligations to pay SSM Payment Amounts to a Clearing Member shall be extinguished, reduced or discharged in accordance with (i) the terms of Clearing Rule 7A01 (in the case of any sponsoring Clearing Member which is incorporated in Hong Kong) or (ii) the terms of the applicable SSM Tripartite Agreement (in the case of any sponsoring Clearing Member which is incorporated in England or France).

Chapter 5

Curve Construction

5.1 Curve Construction for Rates Derivatives Contracts

5.1.1 Zero Coupon Yield Curves

OTC Clear uses zero coupon yield curves to generate discount factors for calculating the net present value of a Rates Derivatives Contract in order to determine marked-to-market ("**MTM**") movements and Margin requirements in respect of such Rates Derivatives Contract.

5.1.2 Market Instrument

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

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

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

5.1.3 Market Sources

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

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

5.1.4 Construction of Zero Coupon Yield Curves

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

OTC Clear will update the relevant zero coupon yield curves using market prices of the relevant benchmark instruments obtained from the Relevant Market Sources at regular intervals during Margin Process Hours on each OTC Clear Clearing Day and Northbound Clearing Day for purposes of determining the Margin requirements in respect of each Rates Derivatives Contract. In order to ensure accuracy of a zero coupon yield curve, OTC Clear will compare the updated zero coupon yield curve against the corresponding zero coupon yield curve determined during the End-of-Day Settlement Process on the immediately preceding OTC Clear Clearing Day and, on the immediately preceding Northbound Clearing Day. Subject to availability and liquidity of the relevant benchmark instruments, curves constructed for discounting and rate forecasting could be different to allow for OIS discounting.

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

5.1.5 Market Data and Frequencies

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

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

5.2 Curve Construction for FX Derivatives Contracts

5.2.1 FX Curves

OTC Clear builds for each Currency Pair an FX Curve (zero coupon/market rate curve) to calculate the net present value of a FX Derivatives Contract in order to determine the MTM movements and Margin requirements in respect of such FX Derivatives Contract.

OTC Clear calculates such FX curves using FX spot rates, FX swap points, and interest rate curves relating to the relevant Currency Pair and also internal interpolation techniques. Interest rate curves are used for discounting, while FX curves are used for capitalization of forward cash flows.

As part of the End-of-Day Settlement Process (as defined in section 4.7 of the Clearing Procedures), OTC Clear constructs the relevant FX curves using prices of the relevant market data obtained at End-of-Day Cut Off Time (as defined in section 4.7 of the Clearing Procedures) on each OTC Clear Clearing Day. Data relating to FX spot rates and FX swap points are used in the calculation of risk analytics during the End-of-Day Settlement Process.

OTC Clear will update the relevant FX curves using market prices of the relevant market data obtained from the Sources set out in section 5.2.2 regularly during Margin Process Hours (as defined in section 1.3 of the Clearing Procedures) on each OTC Clear Clearing Day.

In order to ensure accuracy of a FX curve, OTC Clear will compare the updated FX curve against the corresponding FX curve determined during the End-of-Day Settlement Process on the immediately preceding OTC Clear Clearing Day.

5.2.2 Market Data and Frequencies

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

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

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

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

- (a) Source – OTC Clear
- (b) Frequency – once daily during the End-of-Day Settlement Process on each OTC Clear Clearing Day

Chapter 6

Rates and FX Guarantee Resources

6.1 Rates and FX Guarantee Resources

The Rates and FX Guarantee Resources comprise the Rates and FX Guarantee Fund, Rates and FX Assessments and OTC Clear Contribution. The amounts and type(s) of Collateral delivered by a Clearing Member as its Rates and FX Contribution will be recorded by OTC Clear in the GF Account relating to such Clearing Member.

6.1.1 Rates and FX Guarantee Fund

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

- (i) HK\$ 25 million or equivalent (after applying Collateral Haircuts on Collateral), being the Rates and FX Minimum Contribution Amount; and
- (ii) the product of:
 - (a) 110% of the highest Max EUL value amongst the Max EUL values determined on each OTC Clear Clearing Day falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date (Max EUL is defined and determined pursuant to section 6.1.1(6), as modified by section 6.1.1(8) if Client Clearing Services are provided by one or more Clearing Members on any days falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date); and
 - (b) the average of the relative pro-rata percentage shares relating to such Clearing Member determined in respect of each day falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date, where:

“GF Calculation Period” means, with respect to a Rates and FX Contribution Determination Date occurring on the first or second OTC Clear Business Day of a calendar month pursuant to Clearing Rule 1503(1), each day falling within the immediately preceding calendar month which is a OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day; and with respect to a Rates and FX Contribution Determination Date occurring on any other day pursuant to Clearing Rule 1503(2) or 1503(3), each OTC Clear Clearing Day and each Northbound Clearing Day which is not a OTC Clear Clearing Day falling within the calendar month in which such Rates and FX Contribution Determination Date falls up to (but excluding) such Rates and FX Contribution Determination Date.

While the resizing of the CM Funded Contribution Amount for each Clearing Member will only be performed on each Rates and FX Contribution Determination Date as defined in, and pursuant to, Clearing Rule 1503, OTC Clear will perform, for risk monitoring purposes, stress testing and calculation of the relevant pro-rata percentage share and the Daily GF Value with Reserve in respect of each Clearing Member on each OTC Clear Clearing Day and each Northbound Clearing Day which is not a OTC Clear Clearing Day.

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

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

(1) Assumptions

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

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

(2a) Position Account STV

In respect of each Clearing Member and the Special Clearing House Participant and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such day:

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

In respect of each Position Account of a Clearing Member and the Special Clearing House Participant on an OTC Clear Clearing Day and on a Northbound Clearing Day which is not a OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress NPV against the Base NPV) for that Position Account on that day is referred to as the “**Position Account STV**”.

(2b) Position Account Stress Add-on

In respect of each Clearing Member or Special Clearing House Participant and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such day:

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

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

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

In respect of each Position Account and Collateral Account on an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress XNPV against the Base XNPV) for that Position Account on that day is referred to as the “**Position and Collateral Account STV**”.

Unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, Excess Margin shall be excluded in the calculation of Stress XNPV and Position and Collateral Account STV. For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/Porting Notice or a Non-cash Collateral Withdrawal/Porting Notice, the amount set out in such notice shall be excluded from such calculation from the date of such notice.

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

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

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

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

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

(4) **Expected Uncollateralized Loss**

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

“Position Account EUL” means, with respect to:

- (i) a Position Account of a Clearing Member and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included*, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) recorded to the Collateral Account relating to such Position Account, each determined as of the End-of-Day Cut Off Time on such day; or
- (ii) the House Position Account of the Special Clearing House Participant and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH

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

Margin, any excess collateral posted by OTC Clear and any IM Add-on as defined in section 11.6 of these Clearing Procedures, each determined as of the End-of-Day Cut Off Time on such day.

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

(5) Relative pro-rata percentage share

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

(6) Daily GF Value

In respect of each Clearing Member and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, OTC Clear will determine the “**Daily GF Value**” for such Clearing Member on such day to be the product of the Max EUL and the relative pro-rata percentage share on such day, where “**Max EUL**” means, on any given day, an amount equal to the greater of:

- (i) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members and the Special Clearing House Participant under the same stress scenario within the GF Calculation Period; and
- (ii) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members under the same stress scenario within the GF Calculation Period, with the following modifications:
 - (a) the Expected Uncollateralized Loss amount of all Clearing Members who are Affiliates of one another shall be aggregated with the Expected Uncollateralized Loss amount of the largest Affiliate; and
 - (b) the selection of the largest Expected Uncollateralized Loss amount is made on a revised pool excluding the Expected Uncollateralized Loss amounts determined in respect of the smaller Affiliated Clearing Members.

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

(7) Daily GF Value with Reserve

The “**Daily GF Value with Reserve**” in respect of a Clearing Member will be calculated on each OTC Clear Clearing Day and on each Northbound Clearing Day which is not a OTC Clear Clearing Day by multiplying the Daily GF Value of such Clearing Member determined on such day by 110%. In the case of Clearing Member A, its Daily GF Value with Reserve is 137.5 (being 125 X 110%) on OTC Clear Clearing Day “X”.

(8) Client Clearing Services

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

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

6.1.2 Rates and FX Assessments

On any given OTC Clear Clearing Day and Northbound Clearing Day which is not a OTC Clear Clearing Day, the maximum CM Unfunded Contribution Amount of each Clearing Member will be two times (i.e. 2x) the value of its CM Funded Contribution Amount calculated on the last Rates and FX Contribution Determination Date pursuant to Clearing Rule 1503. The CM Unfunded Contribution Amount for each Clearing Member will be resized at the same time the CM Funded Contribution Amount for such Clearing Member is resized pursuant to Clearing Rule 1503. For risk monitoring purposes, OTC Clear will also calculate an estimated Rates and FX Assessments amount on each OTC Clear Clearing Day and each Northbound Clearing Day which is not a OTC Clear Clearing Day based on the aggregate of the Daily GF Value with Reserve calculated in respect of each Clearing Member on such day. Based on the figures in the illustrative example, the estimated maximum proportionate share of the Rates and FX Assessments for each Clearing Member on OTC Clear Clearing Day “X” will be as follows:

| Clearing Member | Daily GF Value with Reserve | Proportionate Share of the Rates and FX Assessments |
|-----------------|-----------------------------|---|
| A | 137.50 | 275.00 |
| B | 61.11 | 122.22 |
| C | 76.39 | 152.78 |
| D | 152.78 | 305.56 |
| E | 61.11 | 122.22 |

| Clearing Member | Daily GF Value with Reserve | Proportionate Share of the Rates and FX Assessments |
|------------------------|------------------------------------|--|
| F | 61.11 | 122.22 |
| Total | 550 | 1,100 |

Pursuant to Clearing Rule 1506, each Clearing Member must satisfy its CM Unfunded Contribution Amount in cash.

6.2 Excess Margin and CM Funded Contribution Amount

Pursuant to section 6.1.1(4), with respect to each Clearing Member, its Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included^{*}, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) will be used to determine its Position Account EUL and its relative pro rata percentage share and such Excess Margin (if any) will be taken into account by OTC Clear to reduce the CM Funded Contribution Amount applicable to that Clearing Member.

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

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

| Clearing Member / Special Clearing House Participant | Position Account STV | Position Account Stress Add-on | Margin Balance*# | Expected Uncollateralized Loss | Relative pro-rata percentage share | Daily GF Value | Daily GF Value with Reserve |
|---|-----------------------------|---------------------------------------|-------------------------|---------------------------------------|---|-----------------------|------------------------------------|
| Clearing Member A | 1,000 | 80 | 630 → 780 | 300 | 18.18% | 90.91 | 100.00 |
| Clearing Member B | 300 | 20 | 120 | 200 | 12.12% | 60.61 | 66.67 |
| Clearing Member C | 500 | 50 | 300 | 250 | 15.15% | 75.76 | 83.33 |

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

| Clearing Member / Special Clearing House Participant | Position Account STV | Position Account Stress Add-on | Margin Balance*# | Expected Uncollateralized Loss | Relative pro-rata percentage share | Daily GF Value | Daily GF Value with Reserve |
|--|----------------------|--------------------------------|------------------|--------------------------------|------------------------------------|----------------|-----------------------------|
| Clearing Member D | 800 | 100 | 400 | 500 | 30.30% | 151.52 | 166.67 |
| Clearing Member E | 600 | 60 | 460 | 200 | 12.12% | 60.61 | 66.67 |
| Clearing Member F | 400 | 20 | 220 | 200 | 12.12% | 60.61 | 66.67 |
| Total | | | | 1,650 | 100% | 500 | 550 |

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

The relative pro-rata percentage share calculated on OTC Clear Clearing Day “X” will be averaged with the relative pro-rata percentage share calculated on the OTC Clear Clearing Days and Northbound Clearing Days which are not OTC Clear Clearing Days in the relevant Calculation Period relating to the relevant Rates and FX Contribution Determination Date in determining the CM Funded Contribution Amount of Clearing Member A on such Rates and FX Contribution Determination Date.

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

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

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

| Clearing Member / Special Clearing House Participant | Position Account STV | Position Account Stress Add-on | Margin Balance | Expected Uncollateralized Loss | Relative pro-rata percentage share | Daily GF Value | Daily GF Value with Reserve |
|--|----------------------|--------------------------------|----------------|--------------------------------|------------------------------------|----------------|-----------------------------|
| Clearing Member A | 1,000 | 80 | 630 | 450 | 25.00% | 150 | 165 |
| Clearing Member B | 300 | 20 | 120 | 200 | 11.11% | 66.66 | 73.33 |
| Clearing Member C | 500 | 50 | 300 | 250 | 13.89% | 83.34 | 91.67 |
| Clearing Member D | 800 | 100 | 400 | 500 | 27.78% | 166.68 | 183.35 |

| Clearing Member / Special Clearing House Participant | Position Account STV | Position Account Stress Add-on | Margin Balance | Expected Uncollateralized Loss | Relative pro-rata percentage share | Daily GF Value | Daily GF Value with Reserve |
|--|----------------------|--------------------------------|----------------|--------------------------------|------------------------------------|----------------|-----------------------------|
| Clearing Member E | 600 | 60 | 460 | 200 | 11.11% | 66.66 | 73.33 |
| Clearing Member F | 400 | 20 | 220 | 200 | 11.11% | 66.66 | 73.33 |
| Special Clearing House Participant | 900 | 100 | 400 | 600 | Not Applicable | Not Applicable | Not Applicable |
| Total (Excluding Special Clearing House Participant) | | | | 1,800 | 100% | 600 | 660 |

6.3 Stress Test

The stress test model prescribed by OTC Clear will be calibrated to cover multi-day profit and loss moves from extreme, but plausible historic market moves and hypothetical scenarios.

Stress testing will be done daily. Some features which will be embedded in the stress testing model include, but are not limited to, the following:

- (i) 1987 stock crash
- (ii) 1998 Asian financial crisis
- (iii) 2003 SARS
- (iv) 2008 global financial crisis (including the default of Lehman Brothers)

6.4 OTC Clear Contribution

OTC Clear has two tranches of capital reserves specifically designated to cover Rates and FX Loss suffered by it as a result of its provision of the Rates and FX Clearing Services.

OTC Clear First Contribution will initially have a value of HK\$ 150 million. OTC Clear Second Contribution will start with a value of HK\$ 6 million and be built up to a maximum value of HK\$ 650 million using the investment income generated from investing the Rates and FX Guarantee Resources in the form of cash, less any administrative costs, hedging costs, commitment fees for credit lines, bid-offer on currency conversion, and/or other investment related expenses.

Any amounts received by OTC Clear from a Clearing Member pursuant to Clearing Rule 1216A will form part of the OTC Clear Second Contribution.

Chapter 7

Collateral

7.1 Acceptable Collateral

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

7.2 Cash Collateral

Pursuant to Clearing Rules 1213 and 1502, Collateral in the form of cash delivered by a Clearing Member for the purpose of satisfying its Margin requirements or its Rates and FX Liability will be transferred outright to OTC Clear.

7.3 Non-cash Collateral

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

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

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

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

Pursuant to Clearing Rule 1213, non-cash Collateral delivered by a Clearing Member to satisfy its Margin requirements will be transferred by way of security interest.

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

- (i) execute a valid Deed of Charge in OTC Clear's standard form*; and

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

- (ii) complete all perfection requirements in all relevant jurisdictions to the satisfaction of OTC Clear.

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

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

7.4 Collateral Concentration Limit

Pursuant to Clearing Rule 1214, OTC Clear may impose a limit on the aggregate value of any particular type of Collateral (each, a "**Collateral Concentration Limit**") delivered by a Clearing Member for purposes of satisfying its Margin requirements for, among others, the following reasons:

- (i) to avoid undue concentration of Collateral in a particular asset class, type of security, obligor, etc. For example, OTC Clear may impose an upper limit on the aggregate value attributable by a particular type of Collateral to be no more than a specific percentage of the Margin Balance; or
- (ii) to restrict the maximum amount of non-cash Collateral a Clearing Member may provide to OTC Clear for its Margin requirements in respect of each of its Position Accounts.

OTC Clear will, from time to time, notify Clearing Member of the relevant Collateral Concentration Limit.

For the avoidance of doubt, application of sub-paragraph (i) above may extend to any Collateral delivered by a Clearing Member to OTC Clear. OTC Clear may impose a Collateral Concentration Limit to restrict the maximum amount of Collateral in a particular Eligible Currency or Collateral type that may be delivered by a Clearing Member for the purpose of satisfying the Margin requirements with respect to each of its Position Accounts.

The situations described in this section 7.4 are not exhaustive, and OTC Clear shall have the right to, after consultation with the Risk Management Committee, impose any new, or cancel any existing, Collateral Concentration Limit and will notify Clearing Members of any such change. OTC Clear does not intend to, and shall not be under any obligation to, consult with the Risk Management Committee in respect of any calibration changes to the existing Collateral Concentration Limits.

7.4A Collateral Concentration Limit for Participating Margin

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

7.5 Collateral Valuation

7.5.1 Collateral Haircuts

When determining whether each Clearing Member's Margin Balance and Participating Margin Balance and Rates and FX Contribution are sufficient to cover its Margin requirement and its Rates and FX Liability, respectively, OTC Clear will value the assets in such Clearing Member's Collateral Accounts and GF Account at their market value less any applicable valuation discount or haircut stipulated by

OTC Clear (“**Collateral Haircut**”). OTC Clear publishes the relevant Collateral Haircut for each asset type on the HKEX website and updates it from time to time.

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

7.5.2 Wrong-way Risk

7.5.2.1 General Wrong-way risk

Wrong-way risk can be generally defined as the adverse effect that the inclusion of a particular transaction or asset might create on an existing portfolio. In this context, it refers to an aspect of risk that tends to increase the overall risk exposure of a portfolio or where collateral posted to mitigate the overall risk exposure of a portfolio does not decrease such risk on a dollar by dollar basis.

For example, wrong-way risk may arise in a situation where a Clearing Member who trades gold futures posts gold as collateral. Although OTC Clear currently does not provide clearing service for gold futures, the intention of the above example is to give some context as to how collateral may create wrong-way risk. OTC Clear will determine and measure any wrong-way risk by comparing the value-at-risk of the portfolio with and without the relevant Collateral. To manage any wrong-way risk concern for Collateral, OTC Clear may request additional and/or other form of Collateral from Clearing Members.

7.5.2.2 Specific Wrong-way risk

Specific wrong-way risk is the risk that Collateral would likely lose value in the event that a Clearing Member providing the Collateral defaults, OTC Clear will mitigate such risk through the imposition of, and/or adjustment to, Collateral Concentration Limit(s) and Collateral Haircut(s) as set out in sections 7.4 and 7.5.1, respectively.

7.5.3 Valuation

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

- (i) any cash Collateral denominated in an Eligible Currency or Eligible Inter-CCP Currency other than the Base Currency will be valued at the Base Currency equivalent at such rate prevailing at the time of the conversion as OTC Clear shall reasonably select;
- (ii) any non-cash Collateral will be valued by OTC Clear by reference to the latest market prices available for such non-cash Collateral obtained from external market sources. Once OTC Clear is in receipt of the latest market prices for the non-cash Collateral, it will generate the mid or mean price for the purpose of valuing such non-cash Collateral. On any given day, if the latest market prices for any non-cash Collateral is not available from the external market sources, OTC Clear will determine the valuation of any such non-cash Collateral based on, among others, the following methodologies:
 - (a) the last available traded price of the relevant asset; and/or

- (b) the price performance of proxy instruments issued by the same issuer or its affiliates for the relevant asset; and
- (iii) in respect of any non-cash Collateral provided by a Clearing Member to OTC Clear as its Initial Margin or Additional Margin, subsequent to liquidation of any such non-cash Collateral during a Default Management Process, such non-cash Collateral will be given a value equal to the value obtained by OTC Clear during the liquidation process and attached to the Total Available Resources relating to such Default Management Process.

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

7.6 Treatment of Collateral

7.6.1 Cash Collateral

7.6.1.1 Margin

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

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

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

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

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

7.6.1.2 Guarantee Fund

OTC Clear may invest with a conservative policy in respect of any Rates and FX Contribution delivered in the form of cash by Clearing Members. Any positive returns from such investment will form part of OTC Clear Contribution pursuant to section 6.4 of these Clearing Procedures. For the avoidance of doubt, any loss arising from the investment activities is for OTC Clear except for any losses incurred due to charges, costs or negative interest rates. The obligation of OTC Clear to redeliver Rates and FX Contribution in cash will not be affected by the investment performance.

7.6.2 Non-Cash Collateral*

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

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

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

Chapter 8

Default Management

8.1 Interpretation and Overview

The procedure set out in this Chapter 8 is aimed at reducing and neutralizing the overall risk arising out of the occurrence of a DMP Event with respect to one or more Defaulting Clearing Members.

8.2 Member Obligations

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

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

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

8.3 Scope and Responsibility of Default Management Group

OTC Clear will convene a meeting of the Default Management Group in accordance with the Default Management Group's terms of reference.

The Default Management Group will, among others, provide advice to the OTC Clear on market conditions including liquidity and also on construction of separate Auction Portfolios. OTC Clear will oversee the Hedging and Auction processes.

8.4 Suspension of Activities

Upon the occurrence of a DMP Event with respect to a Defaulting Clearing Member, the Defaulting Clearing Member's clearing activities with OTC Clear will be suspended.

8.5 Hedging (Risk Neutralizing)

The objective of Hedging is to mitigate, to the extent commercially practicable, any risk or economic exposure which arises as a result of the occurrence of a DMP Event.

OTC Clear will apply a risk based approach to hedging i.e. neutralizing exposures most vulnerable to market risk. Market risk may be expressed and measured in deltas across all the available tenor points. In respect of each Default Management Process and the related Hedging, the Default Management Group will present proposed Hedging strategies to OTC Clear. Once the Hedging strategies have been approved by OTC Clear, the Default Management Group is primarily responsible for execution of the Hedging strategy for OTC Clear.

Hedging will continue until such time as OTC Clear, in consultation with the Default Management Group, is reasonably satisfied that the risk arising out of the relevant DMP Event has been suitably reduced. OTC Clear will use reasonable endeavours to limit erosion of Margin Balances.

8.6 Auction

8.6.1 Auction Protocol

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

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

8.6.2 Construction of Auction Portfolio

OTC Clear will, in consultation with the Default Management Group, construct various Auction Portfolios in respect of the Auction Book relating to a Defaulting Clearing Member. Clearing Rules 1902 to 1904 set out the general principle in constructing such Auction Portfolios, and OTC Clear, in consultation with the Default Management Group, will review the Transaction Categories that the Defaulting Clearing Member had registered with OTC Clear immediately before the occurrence of the DMP Event. An Auction Portfolio may contain Auction Positions belonging to more than one Transaction Category.

The following example illustrates how the Auction Portfolio construction process works:

Assuming OTC Clear has four Clearing Members: Clearing Member A “CM-A”, Clearing Member B “CM-B”, Clearing Member C “CM-C”, and Clearing Member D “CM-D”. Assuming further that CM-D is in default and immediately prior to default, it had registered Contracts with OTC Clear belonging to the following Transaction Categories: Rates Derivatives Contracts denominated in CNY (offshore) (“**CNY IRS**”), FX Derivatives Contracts denominated in CNY (“**CNY NDF**”) and Rates Derivatives Contracts denominated in HK\$ (“**HK\$ IRS**”).

In the example above, subsequent to the creation of the Auction Book relating to CM-D on the Special Default Account, three Auction Portfolios may be constructed for CM-D:

- (i) CNY IRS = 50%
- (ii) CNY NDF = 40%
- (iii) HK\$ IRS = 10%

In the event that OTC Clear, in consultation with the Default Management Group, determines that the likelihood of successfully disposing all Auction Positions on the Auction Book relating to CM-D will be increased by combining CNY IRS with CNY NDF, it may do so as follows:

- (a) CNY IRS + CNY NDF = 90%
- (b) HK\$ IRS = 10%

In either of the above examples, the percentages marked against each of the three Auction Portfolios is the RAP (please refer to Clearing Rule 1913) determined in respect of each such Auction Portfolio by OTC Clear in consultation with the Default Management Group.

8.6.3 Bidding Process

8.6.3.1 Bids

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

- (i) the highest Bid received by OTC Clear is expected to be the Successful Bid of the Auction, provided that OTC Clear will not accept a Bid if accepting such Bid can potentially, without limitation, (a) cause OTC Clear to breach any legal or regulatory requirement applicable to it, (b) lead to legal action or proceedings to be taken against OTC Clear or (c) be disadvantageous or have a material adverse effect on OTC Clear; and
- (ii) in the event that the two (or more) highest Bids received by OTC Clear are of exactly the same value, the relevant Bidders will be invited to submit revised Bids. If no revised Bids have been received by OTC Clear within 10 minutes following the invitation of Bid re-submission, the relevant Bidder who submitted its original Bid first is expected to be the Successful Bidder.

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

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

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

8.6.3.2 Unsuccessful Auction

In the event of an unsuccessful Auction, further round(s) of Auction may be held until all the Auction Portfolios have been disposed of or have been the subject of a Contract Termination Event. OTC Clear will consult the Default Management Group prior to determining whether an Auction is unsuccessful. Without prejudice to the generality of the immediately foregoing, an Auction shall be deemed to be unsuccessful if:

- (i) no Bids have been received prior to the close of an Auction due to operational or technological issues, including but not limited to corruption of auction file data;
- (ii) any other operational issue which OTC Clear, in consultation with the Default Management Group, deems appropriate; or
- (iii) no Bids or insufficient number of Bids have been received prior to the close of an Auction as determined by OTC Clear, in consultation with the Default Management Group.

8.6.3.3 Registration of Auction Portfolios (non-PRC Bidders)

Upon completion of a successful Auction, OTC Clear will register the relevant Auction Contracts to the Successful Bidder in accordance with Clearing Rule 1921. OTC Clear will liaise with both the relevant Approved Trade Registration System and the relevant Clearing Member to ensure the records relating to all Auction Contract(s) are updated on the Approved Trade Registration System. This update will automatically enable the recalculation of the Successful Bidder's Margin requirements and / or and its

CM Funded Contribution Amount, reflecting the impact of the acquisition of the Auction Contract(s) by the Successful Bidder.

OTC Clear will liaise with a Successful Bidder for booking relevant Auction Contract(s) into its systems so that the systems and records kept by such Successful Bidder will be aligned with those of OTC Clear.

The timing of transfer of any Auction Payment or Auction Receivable is set out in Clearing Rules 1922 and 1923, respectively.

8.6.3.4 Registration of Auction Portfolios (PRC Bidders)

If the Successful Bidder is a PRC Bidder, the provisions set out in Rule 21M04 will apply.

The timing of transfer of any Auction Payment or Auction Receivable is set out in Clearing Rule 21M07.

8.6.4 Tranching Methodology

To incentivize competitive bidding during an Auction, and pursuant to Clearing Rules 1913 to 1916, OTC Clear will implement the Tranching Methodology which seeks to allocate the relevant proportion of the Rates and FX Contribution Balance of a Non-Defaulting Clearing Member in respect of its CM Funded Contribution Amount into one of three Tranches: the Senior Tranche, Middle Tranche and Junior Tranche. Pursuant to Clearing Rule 1919, upon the expiry of a Capped Liability Period, with respect to each Auction Portfolio constructed as a result of the occurrence of the DMP Events during such Capped Liability Period that was the subject of a successful Auction, OTC Clear will notify all relevant Bidders for each such Auction Portfolio the result of the application of the Tranching Methodology.

The following provides an example to illustrate the working mechanisms around the Tranching Methodology:

Using the hypothetical RAP figures mentioned in sections 8.6.2(i) to (iii) and assuming OTC Clear does not combine CNY IRS and CNY NDF Auction Portfolios, if:

Tranching for CM-A based on its Bids for the three Auction Portfolios:

- (i) CM-A is the Successful Bidder for the CNY IRS Auction Portfolio, 50% of CM-A's CM Funded Contribution Amount will be allocated to the Senior Tranche;
- (ii) CM-A is a Lower Bidder for the CNY NDF Auction Portfolio 40% of CM-A's CM Funded Contribution Amount will be allocated to the Middle Tranche; and
- (iii) CM-A is a Poor Bidder for the HK\$ IRS Auction Portfolio, 10% of CM-A's CM Funded Contribution Amount will be allocated to the Junior Tranche.

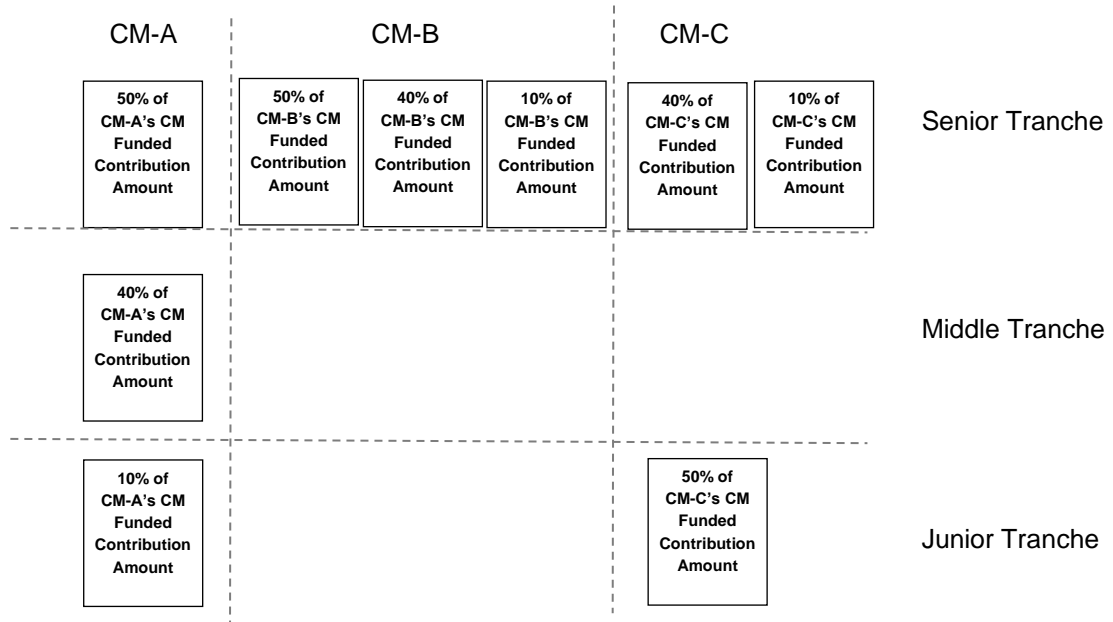
Tranching for CM-B based on its Bids for the three Auction Portfolios:

- (i) CM-B is an Equal Bidder for the CNY IRS Auction Portfolio, 50% of CM-B's CM Funded Contribution Amount will be allocated to the Senior Tranche;
- (ii) CM-B is the Successful Bidder for the CNY NDF Auction Portfolio, 40% of CM-B's CM Funded Contribution Amount will be allocated to the Senior Tranche; and
- (iii) CM-B is the Successful Bidder for the HK\$ IRS Auction Portfolio, 10% of CM-B's CM Funded Contribution Amount will be allocated to the Senior Tranche.

Tranching for CM-C based on its Bids for the three Auction Portfolios:

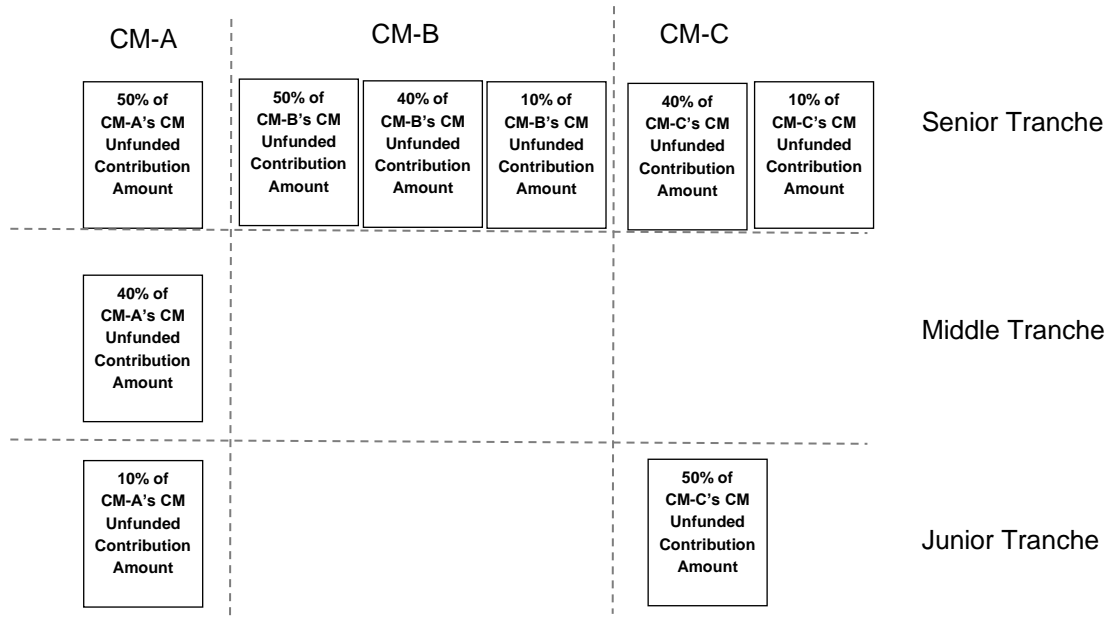
- (i) CM-C is a Non-Bidder for the CNY IRS Auction Portfolio, 50% of CM-C's CM Funded Contribution Amount will be allocated to the Junior Tranche;
- (ii) CM-C is a No Position NDCM for the CNY NDF Auction Portfolio, 40% of CM-C's CM Funded Contribution Amount will be allocated to the Senior Tranche; and
- (iii) CM-C is a Better Bidder for the HK\$ IRS Auction Portfolio, 10% of CM-C's CM Funded Contribution Amount will be allocated to the Senior Tranche.

The following diagram summarizes the Tranching Methodology described in the immediately foregoing:



8.6.5 Tranching for Rates and FX Assessments

The utilization of each Non-Defaulting Clearing Member's Rates and FX Contribution Balance in respect of its CM Unfunded Contribution Amount will be applied using the same Tranching Methodology. Using the same figures provided in the example given in section 8.6.4, the following diagram summarizes the application of the Tranching Methodology as applied to the CM Unfunded Contribution Amount of each of CM-A, CM-B and CM-C:



In respect of an Auction, the allocation of Tranches in respect a Non-Defaulting Clearing Member's Rates and FX Liability will only apply to such Auction.

8.7 Portfolio Splitting and Re-composition

In case of an unsuccessful Auction, in order to enhance the likelihood of success of a subsequent Auction, OTC Clear has the flexibility to, in consultation with the Default Management Group, combine Auction Portfolios of different Transaction Categories or further sub-divide a previously constructed Auction Portfolio into multiple Auction Portfolios. The prime considerations for portfolio splitting and re-composition include, but are not limited to, the size of the Auction Portfolio(s).

8.8 Cost of Default and Loss Attribution

OTC Clear will assess its Rates and FX Loss incurred as a result of the occurrence of the DMP Event. Any Margin Balance of the Defaulting Clearing Member in excess of the full settlement of the default (but excluding any Client Entitlement which will be paid to the relevant Non-Porting Client of the Defaulting Clearing Member in accordance with Clearing Rule 1309) will be redelivered to the Defaulting Clearing Member as part of the net sum payable to the Defaulting Clearing Member pursuant to Clearing Rule 1307, or be returned in accordance with the relevant security document. Any Rates and FX Contribution Balance of the Defaulting Clearing Member in excess of the full settlement of the default will be redelivered to the Defaulting Clearing Member in accordance with Clearing Rule 1547.

In the event that the Rates and FX Loss exceeds the Defaulting Clearing Member's Rates and FX Contribution Balance, OTC Clear will satisfy the losses in accordance with Clearing Rule 1516.

8.9 Post Auction Communication

Upon disposal of all Auction Portfolios by way of Auction or by the declaration of a Contract Termination Event following the occurrence of a DMP Event with respect to the Defaulting Clearing Member or the Defaulting Special Clearing House Participant, OTC Clear will announce the completion of the Default Management Process by notifying the Clearing Members and will provide a summary of the steps taken during the Default Management Process, such summary will be published on the HKEX website, a copy of which will also be provided to the SFC.

8.10 Review

Upon the completion of the Default Management Process in respect of each occurrence of DMP Event, OTC Clear will review the process and may put forward recommendations to change the process.

OTC Clear will also, at a minimum of once every year, conduct review of the process set out in this Chapter 8 to ensure it is adequate, practical and effective. In doing so, OTC Clear will involve Clearing Members by inviting them to participate in fire drills as referred to in Clearing Rule 1611. OTC Clear will provide the results of any fire drills of the Default Management Process to the Risk Management Committee. OTC Clear will also publish the results of the fire drills on the HKEX website.

8.11 Porting of Affected Contracts and Collateral to a Replacement Clearing Member

OTC Clear will facilitate porting of Affected Contracts in a Client Position Account (and Collateral in its corresponding Client Collateral Account) of a Defaulting Clearing Member if all of the following conditions are satisfied:

- (i) original valid and complete Porting Instructions* are received by 17:00 hours Hong Kong Time on the OTC Clear Clearing Day immediately following the occurrence of the relevant DMP Event;
- (ii) no DMP Event has occurred with respect to the relevant Replacement Clearing Member;
- (iii) in respect of each Client Position Account, the relevant Replacement Clearing Member has consented (in writing) to accepting the porting of all Affected Contracts and Collateral in the corresponding Client Collateral Account by 17:00 hours Hong Kong Time on the OTC Clear Clearing Day immediately following the occurrence of the relevant DMP Event;
- (iv) the relevant Replacement Clearing Member's standard settlement instruction for each relevant Contractual Currency of the Affected Contracts being ported is in place;
- (v) the Replacement Clearing Member's standard settlement instruction for each relevant Eligible Currency of cash Collateral being ported is in place;
- (vi) the Replacement Clearing Member's standard delivery instruction for each relevant non-cash Collateral being ported is in place;
- (vii) the Replacement Clearing Member's standard settlement instruction for the relevant currency of denomination of the coupon (interest) of each relevant non-cash Collateral is in place;
- (viii) the Replacement Clearing Member fulfills its revised Margin requirements and successfully passes its margin and credit checks at 19:00 hours Hong Kong Time on the second OTC Clear Clearing Day following the occurrence of the relevant DMP Event;
- (ix) all amounts that have become due and payable by the relevant Defaulting Clearing Member to OTC Clear in respect of Contracts recorded in the relevant Client Position Account (including, for the avoidance of doubt, any Non-Porting Contracts recorded in that Client Position Account) have been paid or otherwise fully and finally discharged to the satisfaction of OTC Clear; and
- (x) no Rates and FX Clearing Termination Event has occurred.

In respect of each Porting Instruction, each Defaulting Clearing Member and the Replacement Clearing Member named therein are deemed to acknowledge, represent and undertake that:

- (a) they are jointly responsible for the accuracy and completeness of the information contained in such Porting Instruction;
- (b) OTC Clear is entitled to rely conclusively on the instructions and information provided in such Porting Instruction without further enquiry; and
- (c) OTC Clear shall incur no liability for any delay, rejection, loss, cost, claim, action, demand or expense in the processing of such Porting Instruction and in effecting the porting of Affected Contracts and Collateral in reliance on the information contained in such Porting Instruction.

If any information and/or instructions provided by the relevant Client in a Porting Instruction is incomplete, inaccurate or inconsistent with its records, OTC Clear may, in its sole and absolute

* Forms are provided to Clearing Members as part of their onboarding process and thereafter are available from OTC Clear upon request.

discretion, reject such Porting Instruction or liaise with the Defaulting Clearing Member and/or the Replacement Clearing Member to rectify the relevant information/instruction.

8.11.1 Porting Instructions

Requirements for valid and complete Porting Instructions:

- (i) Porting Instructions must contain:
 - (a) the name, address and contact details of the Client;
 - (b) the name, address, contact details of the Defaulting Clearing Member, and the reference number of the relevant Client Accounts held by the Defaulting Clearing Member on behalf of the Client or identified as being shared with the Client; and
 - (c) the name, address and contact details of the Replacement Clearing Member;
- (ii) Porting Instructions must be signed by the Client, the Defaulting Clearing Member and the relevant Replacement Clearing Member;
- (iii) Porting Instructions submitted by Client Clearing Category 2 Clients sharing the same Client Clearing Category 2 Accounts must nominate the same Replacement Clearing Member; and
- (iv) the relevant Replacement Clearing Member that has been nominated has been approved by OTC Clear to provide Client Clearing Services to the relevant Client(s).

8.11.2 Update of Records

The status of each relevant Contract successfully ported to and registered in the Replacement 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 Collateral records in the relevant Replacement Clearing Member's relevant Client Collateral Account will be updated accordingly and reflected in the "OTC Clear Risk Management Report (Report Number RMRP05)".

8.11.3 Unsuccessful Porting

If porting cannot be completed successfully, the Affected Contracts of each Non-Porting Client will be subject to the Default Management Process relating to the relevant DMP Event.

8.12 Agency Appointment

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

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

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

Each Clearing Member who has posted Bond Connect Securities as non-cash Collateral to satisfy Margin (excluding Participating Margin) requirements relating to its House Position Account and Client Position Account(s) hereby agrees, with the full power and authority of that Clearing Member, that

upon enforcement of the security interest under the relevant Deed of Charge and/or that where OTC Clear is acting in accordance with the relevant Clearing Member's instructions pursuant to Clearing Rule 836(3), HKSCC shall act on the instructions of OTC Clear to sell Bond Connect Securities via Bond Connect and deliver the proceeds of realization to OTC Clear for application in accordance with the Clearing Rules.

8.13 Client Entitlement

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

Chapter 9

Special Events / Business Continuity

9.1 Arrangement for Special Events

The procedures set out in this Chapter 9 provide an outline of steps that can be taken by OTC Clear in the event of a Force Majeure Event or other special events or OTC Clear being unable to access, or being evacuated from OTC Clear's premises.

The need for business recovery is driven by the uncertain nature of special events. Therefore, the steps set out herein are not intended to be exhaustive and OTC Clear reserves the right to modify or depart from the procedures set out in this Chapter 9 to meet the characteristics of the special events. The procedures set out in this Chapter 9 are without prejudice to the provisions of the Clearing Rules.

9.1.1 Message Dissemination

When there is a need to communicate with Clearing Members in an emergency situation, including but not limited to, the evacuation of OTC Clear's premises and the invocation of business continuity plans, messages will be disseminated to Clearing Members by any of the following methods:

- (i) posting message on the HKEX website;
- (ii) electronic messages via SWIFT;
- (iii) electronic mails to Clearing Members' designated contact personnel; or
- (iv) facsimile transmissions to Clearing Members' designated fax machines.

Regardless of the message dissemination methods, the content of the message is expected to be substantially the same.

9.1.2 Evacuation of OTC Clear's Premises

If it is necessary for OTC Clear to evacuate OTC Clear's premises, a message will be communicated to Clearing Members using the methods set out in section 9.1.1.

During this period, all activities normally carried out at OTC Clear's premises will cease. Clearing Members will be kept updated of the situation (using the methods set out in section 9.1.1) once further details are available.

9.1.3 Invocation of Business Continuity Plans

Once OTC Clear has decided to invoke the business continuity plans, Clearing Members will be informed at the earliest possible time. A message will be communicated to Clearing Members using the methods set out in section 9.1.1.

OTC Clear expects that a maximum of two hours may elapse between the invocation of the business continuity plan and relocation of recovery teams. During that time, most of the usual activities carried out at OTC Clear's premises will cease. Any updates on the arrangements will be communicated to Clearing Members using the methods set out in section 9.1.1.

9.1.4 Special Event Settlement Arrangement

A number of routine settlement procedures may be amended, deferred or suspended while business continuity plans apply. These changes may have an impact on, among others, the usual sequences or mechanisms surrounding the following:

- (i) the withdrawal, porting or deposit of Collateral;
- (ii) the conversion of currencies;
- (iii) the ability to cover liabilities in currencies other than their Contractual Currencies;
- (iv) the time at which Margin may be demanded by OTC Clear;
- (v) the settlement of a Settlement Component; and
- (vi) the settlement of Rates and FX Contribution.

In case of any amendment, deferral or suspension to the above-mentioned items, a message will be communicated to Clearing Members using the methods set out in section 9.1.1.

9.1.5 Registration of Contracts

During the period when business continuity plans have been invoked, the procedures for registration of Contracts as set out in Chapter 3 of these Clearing Procedures will continue to apply. However, OTC Clear reserves the right to amend the timing of registration of Contracts. Clearing Members will be notified (using the methods set out in section 9.1.1) if the registration of Contracts has to be delayed.

9.1.6 New Office Address Notification

If OTC Clear is unable to reoccupy OTC Clear's premises within two hours, Clearing Members will be notified of the proposed new office location, the contact details of OTC Clear and the effective date prior to it occupying the new premises, using the methods set out in section 9.1.1.

9.1.7 Resumption of Normal Service

If OTC Clear is able to resume normal service in the original OTC Clear's premises or in the permanent new location as stated in section 9.1.6, message will be communicated to Clearing Members using the methods set out in section 9.1.1.

9.1.8 Periodic Testing of Business Continuity Plans

OTC Clear will periodically review and test its business continuity plans and associated arrangements against various scenarios that may simulate wide-scale disasters. Clearing Members and critical service providers to OTC Clear may be involved in such review and testing.

9.2 Primary Data Center

As the primary data center of OTC Clear is not located at OTC Clear's premises, evacuation of OTC Clear's premises will not affect Clearing Members' ability to access the Web Portal.

If the primary data center of OTC Clear fails, OTC Clear will switch to the secondary data center of OTC Clear as soon as reasonably practicable. The secondary data center is expected to be synchronized with the primary data center which means that data are stored at both data centers. In the absence of any failure or disruption to the primary data center, the secondary data center serves as a back-up and will be on standby.

The switch from the primary data center of OTC Clear to the secondary data center of OTC Clear is expected to take up to two hours for the core mission critical system. During the switch from primary data center to the secondary data center of OTC Clear, the Rates and FX Clearing Services will be suspended.

9.3 Service Outage

If the Rates and FX Clearing Services are not available to or the Web Portal is not accessible to Clearing Members due to technical failure or other reasons, OTC Clear cannot guarantee Clearing Members a particular level of services in this situation. OTC Clear will activate the relevant business continuity plans and use its best endeavours to restore the normal service. Message will be disseminated to Clearing Members using the methods set out in section 9.1.1 of these Clearing Procedures.

9.4 Special Arrangement for Valuation of a Standard Rates Derivatives Contract which is Denominated in HK\$ and a Standard Cross-currency Rates Derivatives Contract which has a Fixed Amount or Floating Amount Denominated in HK\$ under Adverse Weather Conditions

For the avoidance of doubt, when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced, for purposes of valuing a Standard Rates Derivatives Contract denominated in Hong Kong dollars and a Standard Cross-currency Rates Derivatives Contract which has Fixed Amount or Floating Amount denominated in Hong Kong dollars, Section 9.23.6 of the ISDA Definitions shall apply.

9.5 [Deleted]

9.6 Special Arrangements of settlement 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 under Adverse Weather Conditions

This section 9.6 includes the arrangements surrounding settlement 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 as adopted by OTC Clear when a Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced.

9.6.1 Black Rainstorm Warning

The following arrangements will be adopted when a Black Rainstorm Warning is issued by The Hong Kong Observatory:

| Time at which Black Rainstorm Warning is issued and/or cancelled on a particular payment date | Arrangements |
|---|---|
| (i) Black Rainstorm Warning is issued at or after 09:00 hours Hong Kong time | Same as a day on which no Black Rainstorm Warning is issued or cancelled. |
| (ii) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled at | |

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| or before 08:00 hours Hong Kong time (and after issued time) | |
| (iii) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled after 08:00 hours Hong Kong time and at or before 09:30 hours Hong Kong time | <p>“Notional Exchange USD/HKD Settlement Ready Time” means T+3.5 hours.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means T+3.75 hours or, if later, 12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) 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.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore), the earlier of:</p> <p>(a) (A) subject to sub-section (B) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(B) 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,</p> <p>and</p> <p>(b) 14:45 hours Hong Kong time.</p> |
| (iv) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled after 09:30 hours Hong Kong time and at or before 10:30 hours Hong Kong time | <p>“Notional Exchange USD/HKD Settlement Ready Time” means 11:30 hours Hong Kong time.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means 12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, the earlier of:</p> <p>(a) (A) subject to sub-section (B) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(B) where OTC Clear requires any Transaction File Replacement in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD, the time which is 60</p> |

| | |
|---|---|
| | <p>minutes after the scheduled commencement of such Bulk Settlement Run process,</p> <p>and</p> <p>(b) T+2.5 hours.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore):</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) where the Commencement Time is at or after 13:45 hours Hong Kong time in accordance with the operating rules of the RTGS system, 14:45 hours Hong Kong time.</p> |
| <p>(v) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time, and is cancelled after 10:30 hours Hong Kong time and at or before 12:00 hours Hong Kong time</p> | <p>“Notional Exchange USD/HKD Settlement Ready Time” means 11:30 hours Hong Kong time.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means 12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) 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.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore), the earlier of:</p> <p>(a) (A) subject to sub-section (B) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(B) 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,</p> <p>and</p> <p>(b) T+2.5 hours.</p> |
| <p>(vi) Black Rainstorm Warning is issued before 09:00 hours Hong Kong time</p> | <p>“Notional Exchange USD/HKD Settlement Ready Time” means 11:30 hours Hong Kong time.</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Ready Time” means</p> |

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| and is cancelled after 12:00 hours Hong Kong time | <p>12:00 hours Hong Kong time.</p> <p>“Notional Exchange USD/HKD Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and HKD:</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) 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; and</p> <p>“Notional Exchange USD/CNY (offshore) Settlement Cutoff Time” means, in relation to the Bulk Settlement Run process for the Currency Pair (swap and FX) of USD and CNY (offshore):</p> <p>(a) subject to sub-section (b) below, the time which is 15 minutes after the Commencement Time of such Bulk Settlement Run process; or</p> <p>(b) 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.</p> |
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For the purpose of this section 9.6.1 only, “T” means the time at which the Black Rainstorm Warning is cancelled, rounded up to the next nearest quarter of an hour. For example, if the Black Rainstorm Warning is cancelled at 09:10 hours Hong Kong time, T means 09:15 hours Hong Kong time.

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.

9.6.2 Typhoon Signal Number 8 or Above or Extreme Conditions

The following arrangements will be adopted when a Typhoon Signal Number 8 or above is hoisted by The Hong Kong Observatory or Extreme Conditions are announced:

| Time at which Typhoon Signal Number 8 is hoisted and/or cancelled or Extreme Conditions are announced and/or cancelled on a particular payment date | Arrangements |
|--|---|
| (i) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced after 09:00 hours Hong Kong time | Same as a day on which no Typhoon Signal Number 8 or above is hoisted or cancelled or no Extreme Conditions are announced or cancelled. |
| (ii) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or | |

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| before 08:00 hours Hong Kong time (and after hoisted time or announcement time) | |
| (iii) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 08:00 hours Hong Kong time and at or before 09:30 hours Hong Kong time (and after hoisted time or announcement time) | Same as the arrangements set out in section 9.6.1(iii) of these Clearing Procedures. |
| (iv) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 09:30 hours Hong Kong time and at or before 10:30 hours Hong Kong time | Same as the arrangements set out in section 9.6.1(iv) of these Clearing Procedures. |
| (v) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 10:30 hours Hong Kong time and at or before 12:00 hours Hong Kong time | Same as the arrangements set out in section 9.6.1(v) of these Clearing Procedures. |
| (vi) Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced at or before 09:00 hours Hong Kong time, and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 12:00 hours Hong Kong time | Same as the arrangements set out in section 9.6.1(vi) of these Clearing Procedures. |

For the purpose of this section 9.6.2 only, “T” means the time at which the Typhoon Signal Number 8 is lowered and Extreme Conditions are cancelled (where applicable), rounded up to the next nearest quarter of an hour. For example, if the Typhoon Signal Number 8 is lowered and Extreme Conditions are cancelled (where applicable) at 09:10 hours Hong Kong time, T means 09:15 hours Hong Kong time.

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.

Chapter 10

Determination of Close-out Value

10.1 Close-out Value

The close-out value for each Contract will be determined in the Base Currency, and shall be the difference between the aggregate net Variation Margin (but excluding Routine Intra-day Variation Margin) settled by the relevant Clearing Member up to and including the last End-of-Day Settlement Process immediately preceding the Final Settlement Cycle Determination Date in respect of such Contract and the Close-out Variation Margin relating to such Contract, where:

“Close-out Variation Margin” means, with respect to a Contract, the net present value relating to such Contract as determined by OTC Clear using calculation methodology similar to that used to determine Variation Margin in the End-of-Day Settlement Process, except that, (a) for Contracts other than Standard Northbound Rates Derivatives Contracts, the relevant calculations will be determined on the basis of the curve(s) built and pricing input(s) and instrument quote(s) obtained as at 11:00 hours Hong Kong time, and (b) for Standard Northbound Rates Derivatives Contracts, the relevant calculations will be determined in accordance with calculation methodology published by Special Clearing House Participant, referencing curve(s) built and pricing input(s) and instrument quote(s) obtained as at 16:00 hours Hong Kong time, in each case, on:

- (i) with respect to a Contract being terminated as a result of the occurrence of Rates and FX Clearing Termination Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.2 of these Clearing Procedures;
- (ii) with respect to a Contract (except a Standard Northbound Rates Derivatives Contract) which is the subject of Emergency Close-Out, or which is being terminated during the OTC Clear Failure to Pay Grace Period or as a result of the occurrence of an OTC Clear Failure to Pay Event or OTC Clear Insolvency Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.3 of these Clearing Procedures;
- (iii) with respect to a Standard Northbound Rates Derivatives Contract which is the subject of Emergency Close-Out, or which is being terminated during the OTC Clear Failure to Pay Grace Period or as a result of the occurrence of an OTC Clear Failure to Pay Event or as a result of the occurrence of an OTC Clear Failure to Pay SHCH Event or OTC Clear Insolvency Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.3.2 of these Clearing Procedures;
- (iv) with respect to a Contract being terminated as a result of the occurrence of a Product Suspension Event, the Final Settlement Cycle Determination Date for such Product Suspension Event pursuant to section 10.4 of these Clearing Procedures;
- (v) with respect to a Contract (except a Standard Northbound Rates Derivatives Contract) being terminated as a result of a Contract Termination Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.5.1 of these Clearing Procedures; and

- (vi) with respect to a Standard Northbound Rates Derivatives Contract being terminated as a result of a Contract Termination Event, the Final Settlement Cycle Determination Date determined in accordance with section 10.5.2 of these Clearing Procedures.

The Close-out Variation Margin amount determined in any of the situations described in sub-paragraph (i), (ii), (iv) or (v) above will not be adjusted by PAI and in sub-paragraph (iii) or (vi) above will be adjusted by PAI.

10.2 Rates and FX Clearing Termination Event

In the case of a winding down of the Rates and FX Clearing Service pursuant to Clearing Rules 1530 to 1540, OTC Clear will determine the Close-out Variation Margin for all Contracts on the Final Settlement Cycle Determination Date, where the **"Final Settlement Cycle Determination Date"** shall fall on:

- (i) if a Rates and FX Clearing Termination Event is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if a Rates and FX Clearing Termination Event is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Rates and FX Clearing Termination Event is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Contracts by 09:00 hours Hong Kong time on the relevant Final Settlement Cycle Determination Date.

10.3 Emergency Close-Out or OTC Clear Default

10.3.1 Upon the designation of an Early Termination Date pursuant to Clearing Rule 210, 1320(1), 1321(1) or 1322, OTC Clear will determine the Close-out Variation Margin for all applicable Contracts except Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, where the **"Final Settlement Cycle Determination Date"** shall fall on:

- (i) if an Early Termination Date is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if an Early Termination Date is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Early Termination Date is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all applicable Contracts except Standard Northbound Rates Derivatives Contracts by 09:00 hours Hong Kong time on the relevant Final Settlement Cycle Determination Date.

- 10.3.2** Upon the designation of an Early Termination Date pursuant to Clearing Rule 210, 21J14, 1320(1), 1321(1) or 1322, OTC Clear will determine the Close-out Variation Margin for all applicable Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, where the “Final Settlement Cycle Determination Date” shall fall on the Participantship Termination Date pursuant to Clearing Rule 21E05 or the Early Termination Date pursuant to Clearing Rule 21J14.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all applicable Standard Northbound Rates Derivatives Contracts on the relevant Final Settlement Cycle Determination Date.

10.4 Product Suspension Event

In the case of a Product Suspension Event pursuant to section 3.4A of these Clearing Procedures, OTC Clear will determine the Close-out Variation Margin for all Contracts in respect of which a Product Suspension Event has occurred on the Final Settlement Cycle Determination Date, where the Final Settlement Cycle Determination Date shall fall on:

- (i) if a Product Suspension Event is effective at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if a Product Suspension Event is effective after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Product Suspension Event is effective.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all applicable Contracts in respect of which a Product Suspension Event has occurred by 09:00 hours Hong Kong time on the relevant Final Settlement Cycle Determination Date.

10.5 Contract Termination Event and Special Clearing House Participant Default

- 10.5.1** In case of a Contract Termination Event pursuant to Clearing Rule 21J04, 1918A or 1918AA, OTC Clear will determine the Close-out Variation Margin for all Identified Contracts except Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, and for such purpose the “**Final Settlement Cycle Determination Date**” shall fall on:

- (i) if a Contract Termination Event is declared by OTC Clear at or prior to 09:00 hours Hong Kong time on an OTC Clear Business Day, such OTC Clear Business Day; or
- (ii) if a Contract Termination Event is declared after 09:00 hours Hong Kong time on an OTC Clear Business Day, the OTC Clear Business Day immediately following the day on which such Contract Termination Event is declared.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Identified Contracts except Standard Northbound Rates Derivatives Contracts by 09:00 hours Hong Kong time on the relevant Final Settlement Cycle Determination Date.

- 10.5.2** In case of a Contract Termination Event pursuant to Clearing Rule 21J04, 1918A or 1918AA, OTC Clear will determine the Close-out Variation Margin for all Identified Contracts which are Standard Northbound Rates Derivatives Contracts on the Final Settlement Cycle Determination Date, where the “Final Settlement Cycle Determination Date” shall fall on the Early Termination Date pursuant to Clearing Rule 21J03 or the Final Settlement Cycle

Determination Date shall be determined as agreed between OTC Clear and the Special Clearing House Participant pursuant to Clearing Rule 21M05.

OTC Clear will announce the decision to determine the Close-out Variation Margin with respect to all Identified Contracts which are Standard Northbound Rates Derivatives Contracts on the relevant Final Settlement Cycle Determination Date.

Chapter 11

CLEARING PROCEDURES RELATING TO THE SPECIAL CLEARING HOUSE PARTICIPANT

Northbound Swaps Clearing Services

11.1 Obligations of the Special Clearing House Participant

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

11.2 Operation of the Clearing Link Services

The specified Approved Trade Registration System for Original Northbound Transactions (CFETS) will provide clearing data, settlement data and risk data of Original Northbound Transactions to OTC Clear and the Special Clearing House Participant from time to time between 09:00 hours Hong Kong time and 17:30 hours Hong Kong time on each Northbound Clearing Day.

Upon receipt of such data from CFETS, OTC Clear will, unless notified otherwise, between 09:00 hours Hong Kong time and 17:30 hours Hong Kong time on each Northbound Clearing Day:

- (i) if the Original Northbound Transaction is submitted by a Client, confirm that the relevant Clearing Member has agreed to offer Client Clearing Services for such transaction to such Client;
- (ii) check that the Original Northbound Transaction satisfies the product eligibility requirements set out in section 3.4.5 of these Clearing Procedures;
- (iii) run the Margin Process described in section 4.6 of these Clearing Procedures; and
- (iv) (if no SHCH Event of Default has occurred, or in OTC Clear's reasonable opinion is likely to occur), check that the Special Clearing House Participant would be within its single-day CCP risk exposure limit and total risk exposure limit upon registration of that Original Northbound Transaction in its House Position Account.

OTC Clear will communicate the result of such checks to the Special Clearing House Participant promptly on the same Northbound Clearing Day.

The Special Clearing House Participant shall then perform its own eligibility requirements pursuant to the SHCH Clearing Guidelines in respect of Original Northbound Transactions between 09:00 hours Hong Kong time and 17:30 hours Hong Kong time on each Northbound Clearing Day.

The Special Clearing House Participant shall consolidate and communicate the final clearing result to CFETS and OTC Clear promptly and in any case no later than 18:00 hours Hong Kong time on that Northbound Clearing Day.

If the Original Northbound Transaction has been accepted for clearing by both OTC Clear and the Special Clearing House Participant, such transaction will be registered between OTC Clear and the Special Clearing House Participant as an Inter-CCP Rates Derivatives Contract at the registration time specified by the Special Clearing House in its clearing report on that Northbound Clearing Day.

11.3 De-registration of Inter-CCP Rates Derivatives Contract

OTC Clear will not accept any de-registration request from the Special Clearing House Participant for any Inter-CCP Rates Derivatives Contract.

However, if a de-registration request in respect of a pair of Standard Northbound Rates Derivatives Contracts is approved and processed by OTC Clear as described in section 3.6.2 of the Clearing Procedures, the relevant Inter-CCP Rates Derivatives Contract with equal but opposite terms to (and which have been created to correspond to) Standard Northbound Rates Derivatives Contract will also be de-registered. Upon completing the de-registration process for the relevant Standard Northbound Rates Derivatives Contracts and the relevant Inter-CCP Rates Derivatives Contracts, OTC Clear will notify the Special Clearing House Participant and the relevant Approved Trade Registration System.

For the avoidance of doubt, no de-registration fee will be charged to the Special Clearing House Participant for the de-registration of any Inter-CCP Rates Derivatives Contracts.

11.4 Identifier

The Special Clearing House Participant will be identified in OTC Clear's Rates and FX Clearing System by way of a unique identifier assigned to it and mapped to its House Position Account and House Collateral Account.

11.5 Settlement

A. in respect of Inter-CCP Rates Derivatives Contracts

Payments in respect of Inter-CCP Rates Derivatives Contracts shall be calculated on each Northbound Clearing Day by reference to curves constructed by the Special Clearing House Participant based on the market data obtained at or around 16:00 hours Hong Kong time on such Northbound Clearing Day.

Any such payment to be made between OTC Clear and the Special Clearing House Participant on a Northbound Clearing Day shall be settled on that Northbound Clearing Day:

- (i) no later than 13:30 hours Hong Kong time for any payment to be made by OTC Clear to the Special Clearing House Participant; and
- (ii) no later than 15:30 hours Hong Kong time for any payment to be made by the Special Clearing House Participant to OTC Clear.

B. Settlement in respect of Inter-CCP Margin Amount

Payments in Eligible Inter-CCP Currency from OTCC to the Special Clearing House Participant for the purpose of satisfying the Inter-CCP OTCC Margin Amount in respect of each Northbound Clearing Day shall be settled by no later than 16:00 hours Hong Kong time on the immediately following Northbound Clearing Day. Payments in Eligible Inter-CCP Currency from the Special Clearing House Participant to OTC Clear for the purpose of satisfying the Inter-CCP SHCH Margin Amount in respect of each Northbound Clearing Day shall be settled by no later than 16:00 hours Hong Kong time on the immediately following Northbound Clearing Day.

Margin and Valuation

11.6 Inter-CCP Margin Amount

The Inter-CCP Margin Amount shall be calculated in respect of each Northbound Clearing Day, which shall be the higher of the values calculated by OTC Clear and the Special Clearing House Participant respectively after 16:00 hours China Standard Time on such Northbound Clearing Day.

OTCC shall perform its calculation of the Inter-CCP Margin Amount in accordance with the methodology set out in section 11.6.1 below. The Special Clearing House Participant shall perform its calculation of the Inter-CCP Margin Amount in accordance with the methodology set out in the SHCH Clearing Rules, the SHCH Clearing Guidelines and the Clearing Link Agreement.

11.6.1 OTC Clear's calculation of Inter-CCP Margin Amount

OTC Clear shall calculate the Inter-CCP Margin Amount in respect of a Northbound Clearing Day in accordance with the below:

- (i) OTC Clear's potential future exposure in normal market conditions in respect of all Inter-CCP Rates Derivatives Contracts registered to the Special Clearing House Participant's House Position Account using its own internally built value-at-risk model based on simulation of 5 years historical data on a rolling basis using: (x) in respect of Inter-CCP Margin Amount calculated on such Northbound Clearing Day which is also an OTC Clear Clearing Day, the prevailing market prices at or around 1600hrs Hong Kong time on such Northbound Clearing Day; or (y) in respect of Inter-CCP Margin Amount calculated on a Northbound Clearing Day which is not an OTC Clear Clearing Day, the prevailing market prices at or around 1600hrs Hong Kong time on the immediately preceding OTC Clear Clearing Day, in each case, with a single-tailed confidence interval of at least 99%, assuming over a close-out period of 5 OTC Clear Clearing Days (the "**IM Component**"), provided that in the event that the Expected Uncollateralized Loss of the Special Clearing House Participant on any two consecutive days which are OTC Clear Clearing Day(s) and/or Northbound Clearing Day(s) exceeds the Expected Uncollateralized Loss of the Special Clearing House Participant determined in respect of the immediately preceding calculation period by 10% or more and the value of the Expected Uncollateralized Loss of the Special Clearing House Participant is more than 50% of the value of the Rates and FX Guarantee Fund, the absolute value of such exceedance will be added to the IM Component (the "**IM Add-on**");

plus

- (ii) A buffer of CNY200 million or such other amount which has been mutually agreed between the Special Clearing House Participant and OTC Clear;

plus

- (iii) The relative pro-rata percentage share attributed to the Special Clearing House Participant of a hypothetical guarantee fund which is based on the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant (the "**GF Component**").

11.6.2 GF Component

The GF Component shall be calculated on the first or second OTC Clear Business Day of a calendar month and applied in respect of each of the remaining Northbound Clearing Days in that calendar month, unless the Rates and FX Guarantee Fund is subject to ad hoc resizing, in which case, the GF Component will be re-calculated on another OTC Clear Clearing Day and Northbound Clearing Day which is not a OTC Clear Clearing Day within that calendar month, on the date that the Expected Uncollateralized Loss of any Clearing Member or the Expected Uncollateralized Loss of the Special Clearing House Participant increases by 20% or more from the Max EUL determined in respect of the immediately preceding calculation period or 20 OTC Clear Business Days after the occurrence of a DMP Event. The GF Component re-calculated on such day will be applied for each of the remaining Northbound Clearing Days in that month.

The GF Component shall be an amount calculated using the following formula:

Relative Pro-rata Percentage Share of Special Clearing House Participant x Max EUL x 110%

Below is an illustrative example to show how the GF Component determined for the Special Clearing House Participant on OTC Clear Clearing Day “X”:

In the illustrated example, the GF Component is 67.1 (being 500 x 12.20% X 110%) on OTC Clear Clearing Day “X”.

| Clearing Member / Special Clearing House Participant | Position Account STV ^(a) | Position Account Stress Addition ^(b) | Margin Balance ^(c) | Expected Uncollateralized Loss ^(d) | Relative pro-rata percentage share ^(e) | GF Component |
|--|-------------------------------------|---|-------------------------------|---|---|--------------|
| Clearing Member A | 1,000 | 80 | 630 | 450 | 21.95% | |
| Clearing Member B | 300 | 20 | 120 | 200 | 9.76% | |
| Clearing Member C | 500 | 50 | 300 | 250 | 12.20% | |
| Clearing Member D | 800 | 100 | 400 | 500 | 24.39% | |
| Clearing Member E | 600 | 60 | 460 | 200 | 9.76% | |
| Clearing Member F | 400 | 20 | 220 | 200 | 9.76% | |
| Special Clearing House Participant | 420 | 30 | 200 | 250 | 12.20% | 67.1 |
| Total | | | | 2,050 | | |

(a) Position Account STV

In respect of each Clearing Member and the Special Clearing House Participant and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such day:

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

In respect of each Position Account of a Clearing Member and the Special Clearing House Participant on an OTC Clear Clearing Day and on a Northbound Clearing Day which is not a OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress NPV against the Base NPV) for that Position Account on that day is referred to as the “**Position Account STV**”.

(b) Position Account Stress Add-on

In respect of each Clearing Member or Special Clearing House Participant and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such day:

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

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

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

In respect of each Position Account and Collateral Account on an OTC Clear Clearing Day and on a Northbound Clearing Day which is not a OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress XNPV against the Base XNPV) for that Position Account on that day is referred to as the “**Position and Collateral Account STV**”.

Unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, Excess Margin shall be excluded in the calculation of Stress XNPV and Position and Collateral Account STV. For the avoidance of doubt, if such Clearing Member

has submitted a Withdrawal/Porting Notice or a Non-cash Collateral Withdrawal/Porting Notice, the amount set out in such notice shall be excluded from such calculation from the date of such notice.

In respect of each Position Account on an OTC Clear Clearing Day and on a Northbound Clearing Day which is not a OTC Clear Clearing Day, the increase in the largest net present value (determined by comparing Position and Collateral Account STV against the Position Account STV) for that Position Account after taking Collateral Account into account on that day is referred to as the **“Collateral Stress Add-on”**.

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

(c) Margin Balance (for the purpose of GF Component calculation)

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

With respect to the Special Clearing House Participant, such balance refers to the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account, excluding any Excess Inter-CCP SHCH Margin, any excess collateral posted by OTC Clear, any IM Add-on and the GF Component calculated in respect of the previous calculation period.

(d) Expected Uncollateralized Loss

On each OTC Clear Clearing Day and each Northbound Clearing Day which is not a OTC Clear Clearing Day, OTC Clear will determine the Position Account EUL for each Position Account of each Clearing Member and the Position Account EUL for the House Position Account of the Special Clearing House Participant, where:

“Position Account EUL” means, with respect to:

- (i) a Position Account of a Clearing Member and an OTC Clear Clearing Day or a Northbound Clearing Day which is not a OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included¹, (ii) any additional Collateral provided under Clearing Rule 1510

¹ For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/ Porting Notice or a Non-cash Collateral Withdrawal/ Porting Notice, the amount set out in such notice shall be excluded from the Margin Balance from the date of such notice.

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

- (ii) the House Position Account of the Special Clearing House Participant and an OTC Clear Clearing Day or a Northbound Clearing Day which is not a OTC Clear Clearing Day equals to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the aggregate of the cash Collateral standing to the credit of the Hong Kong Collateral Account and the amount standing to the credit of the PRC Collateral Account (excluding any Excess Inter-CCP SHCH Margin, any excess collateral posted by OTC Clear, IM Add-on and the GF Component calculated in respect of the previous calculation period), each determined as of the End-of-Day Cut Off Time on such day.

(e) Relative pro-rata percentage share

The “**relative pro-rata percentage share**” means:

- (i) with respect to a Clearing Member and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, the Expected Uncollateralized Loss of such Clearing Member on such day divided by the aggregate of the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant on such day; and
- (ii) with respect to the Special Clearing House Participant and an OTC Clear Clearing Day and a Northbound Clearing Day which is not a OTC Clear Clearing Day, the Expected Uncollateralized Loss of the Special Clearing House Participant on such day divided by the aggregate of the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant on such day.

In the illustrative example, since the aggregate of the Expected Uncollateralized Loss of all Clearing Members and the Expected Uncollateralized Loss of the Special Clearing House Participant is 2050, the relative pro-rata percentage share of the Special Clearing House Participant will be a percentage equal to the Special Clearing House Participant’s Expected Uncollateralized Loss divided by the aggregate Expected Uncollateralized Loss of 2,050 – i.e. $250/2050 = 12.20\%$ on OTC Clear Clearing Day “X”.

For avoidance of doubt, the relative pro-rata percentage share for the other Clearing Members is illustrated here for reference only in respect of a hypothetical Rates and FX Guarantee Fund where the Special Clearing House Participant would be making Rates and FX Contributions. Section 6 of these Clearing Procedures shall apply in determining the relative pro-rata percentage share for each Clearing Member and the amount of their Rates and FX Liability.

(f) Max EUL

“**Max EUL**” means, on any given OTC Clear Clearing Day and Northbound Clearing Day which is not a OTC Clear Clearing Day, an amount equal to the greater of:

- (i) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members and the Special Clearing House Participant under the same stress scenario within the same period the GF Component is calculated; and
- (ii) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members under the same stress scenario within the same period the GF Component is calculated, with the following modifications:
 - (a) the Expected Uncollateralized Loss amount of all Clearing Members who are Affiliates of one another shall be aggregated with the Expected Uncollateralized Loss amount of the largest Affiliate; and
 - (b) the selection of the largest Expected Uncollateralized Loss amount is made on a revised pool excluding the Expected Uncollateralized Loss amounts determined in respect of the smaller Affiliated Clearing Members.

In the illustrated example, the Max EUL is 500 on OTC Clear Clearing Day “X”.

11.7 Variation Margin

Variation Margin covers the amount that is required to settle the daily diminution in the net present value (if any) of the Inter-CCP Rates Derivatives Contracts in the Special Clearing House Participant’s House Position Account. Collection of Variation Margin helps to ensure that the risk exposure assumed by OTC Clear is constantly monitored and that OTC Clear remains risk neutral.

Any payment of Variation Margin on any Northbound Clearing Day (i) to be made by OTC Clear to the Special Clearing House Participant shall be made by 13:30 hrs China Standard Time and (ii) to be made by the Special Clearing House Participant to OTC Clear shall be made by 15:30 hrs China Standard Time, on such Northbound Clearing Day.

11.8 Product specific terms and calculation methodologies

The product specific terms of Inter-CCP Rates Derivatives Contracts, including the applicable calculation methodologies, are set out in the SHCH Clearing Rules and SHCH Clearing Guidelines.

11.8.1 Calculation and Valuation Process

The net present value and market price movements of each Inter-CCP Rates Derivatives Contract shall be calculated using zero coupon curves constructed by the Special Clearing House Participant.

11.8.2 Price Alignment Interest

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

Collateral

11.9 Cash Collateral

Variation Margin requirements must be satisfied in cash in the Contractual Currency.

Inter-CCP SHCH Margin Amount must be satisfied in cash in any Eligible Inter-CCP Currency. The Special Clearing House Participant must:

- (i) have entered into a valid Inter-CCP SHCH Charge Agreement in the terms as appended to Part VA of the Clearing Rules; and
- (ii) complete all perfection requirements in all relevant jurisdictions to the satisfaction of OTC Clear.

Any interest on the Collateral in the Hong Kong Collateral Account will be credited by the relevant custodian bank to the Hong Kong Collateral Account at the then prevailing interest rate agreed between OTC Clear, the Special Clearing House Participant and such custodian bank. If OTC Clear is charged negative interest in respect of the Collateral in the Hong Kong Collateral Account (including any income on such Collateral), OTC Clear shall be entitled to demand reimbursement of such amounts from the Special Clearing House Participant.

11.10 Non-cash Collateral

Non-cash Collateral will not be accepted from the Special Clearing House Participant.

11.11 Collateral Valuation

11.11.1 Collateral Haircuts

When determining whether the Special Clearing House Participant's Margin Balance is sufficient to cover its Inter-CCP SHCH Margin Amount, OTC Clear will value the cash Collateral in the Hong Kong Collateral Account and apply the valuation discount or haircut stipulated by OTC Clear. OTC Clear may apply and/or modify any valuation procedures or haircuts on each type of Eligible Inter-CCP Currency in accordance with its risk management rules and policies and notified to the Special Clearing House Participant from time to time. For the avoidance of doubt, where the currency of the cash Collateral deposited in the Hong Kong Collateral Account is the same as the denomination currency of the Inter-CCP SHCH Margin Amount, the haircut percentage of such currency shall be zero.

11.11.2 Valuation

All Collateral will be valued or marked-to-market at least once a day using current market data and quotes, and any such valuation will take into account the application of collateral haircuts referred to in section 7.3.1 of this Chapter. At any given time, any cash Collateral denominated in an Eligible Inter-CCP Currency other than CNY (offshore) will be valued at the CNY (offshore) equivalent at the prevailing rate at the time of valuation as OTC Clear shall reasonably select.

The Special Clearing House Participant may be required to transfer additional cash Collateral to OTC Clear if the Margin Balance decreases due to change in the applicable collateral haircut.

Appendix I

Fees Schedule

(i) Annual Fee, Registration Fee and Maintenance Fee (for Clearing Members engaged in House Business)

(a) Standard Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract

| Tariff | Annual Fee | Registration Fee | Maintenance Fee |
|---------------|-------------------|--|---|
| Tariff A | HK\$ 5 million | Nil | HK\$ 20 on a monthly basis in respect of each Contract until its maturity. |
| Tariff B | HK\$ 1 million | In case of backloading, Nil for registration of a Contract. Otherwise HK\$ 750 for registration of a Contract*. | HK\$ 60 on a monthly basis in respect of each Contract until its maturity. |
| Tariff C | Nil | In case of backloading, Nil for registration of a Contract. Otherwise HK\$ 1,500 for registration of a Contract*. | HK\$ 120 on a monthly basis in respect of each Contract until its maturity. |

(b) Standard Cross-currency Rates Derivatives Contract

| Tenor | Fee Rate | |
|----------------|--|--|
| | Registration Fee | Maintenance Fee |
| 0 – 1 year | 0.0015% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Standard Cross-currency Rates Derivatives Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0215% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. | 0.00008% of the notional amount of the USD leg of the Contract, on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. |
| >1 – 3 years | 0.0035% of the notional amount of the USD leg of the Contract*. | |
| >3 – 5 years | 0.0065% of the notional amount of the USD leg of the Contract*. | |
| >5 – 7 years | 0.0085% of the notional amount of the USD leg of the Contract*. | |
| >7 – 10 years | 0.0115% of the notional amount of the USD leg of the Contract*. | |
| >10 – 12 years | 0.0145% of the notional amount of the USD leg of the Contract*. | |
| >12 – 14 years | 0.0165% of the notional amount of the USD leg of the Contract*. | |
| >14 – 16 years | 0.0185% of the notional amount of the USD leg of the Contract*. | |

(c) Non Deliverable FX Derivatives Contract

| Tariff | Annual Fee | Registration Fee |
|----------|----------------|---|
| Tariff A | HK\$ 5 million | In case of backloading, HK\$ 3.9 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 7.8 per each million notional amount (in USD) for registration of a Contract*. |

| Tariff | Annual Fee | Registration Fee |
|---------------|-------------------|---|
| Tariff B | HK\$ 1 million | In case of backloading, HK\$ 11.7 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 23.4 per each million notional amount (in USD) for registration of a Contract*. |
| Tariff C | Nil | In case of backloading, HK\$ 23.4 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 46.8 per each million notional amount (in USD) for registration of a Contract*. |

(d) Deliverable FX Derivatives Contract

| Tenor | Registration Fee | |
|-------------------|---|--|
| | Deliverable FX Forward Contract | Deliverable FX Swap Contract |
| 2 days | 0.0002% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Deliverable FX Forward Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0202% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. | - |
| > 2 days – 1 year | 0.0005% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Deliverable FX Forward Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0205% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. | 0.0007% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Deliverable FX Swap Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0207% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. |
| > 1 – 3 years | 0.0008% of the notional amount of the USD leg of the Contract*. | 0.0010% of the notional amount of the USD leg of the Contract*. |

(e) Standard Northbound Rates Derivatives Contract

| Tenor | Fee Rate | |
|--------------|--|---|
| | Registration Fee | Maintenance Fee |
| 0 – 1 year | 0.0001% of the notional amount of the Contract*. | 0.000025% of the notional amount of the Contract, on a monthly basis in |

| | | |
|---------------|--|--|
| >1 – 3 years | 0.0003% of the notional amount of the Contract*. | respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. |
| >3 – 5 years | 0.0004% of the notional amount of the Contract*. | |
| >5 – 6 years | 0.0006% of the notional amount of the Contract*. | |
| >6 – 7 years | 0.0006% of the notional amount of the Contract*. | |
| >7 – 9 years | 0.0008% of the notional amount of the Contract*. | |
| >9 – 10 years | 0.0008% of the notional amount of the Contract*. | |

(ii) Registration Fee and Maintenance Fee (for Clearing Members providing Client Clearing Services to their Clients)

(a) Standard Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract

| Type of Client Position Account | Registration Fee | Maintenance Fee |
|---|---|--|
| Contracts registered to a Client Clearing Category 1 Position Account | 0.001% of the notional amount of each Contract per Position Account*. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. | 0.00004% of the notional amount of each Contract per Position Account on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. |
| Contracts registered to a Client Clearing Category 2 Position Account | 0.001% of the notional amount of each Contract per Position Account*. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. | 0.00004% of the notional amount of each Contract per Position Account on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. |

(b) Standard Cross-currency Rates Derivatives Contract

| Tenor | Fee Rate | |
|----------------|--|--|
| | Registration Fee | Maintenance Fee |
| 0 – 1 year | 0.0015% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Standard Cross-currency Rates Derivatives Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0215% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. | 0.00008% of the notional amount of the USD leg of the Contract, on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. |
| >1 – 3 years | 0.0035% of the notional amount of the USD leg of the Contract*. | |
| >3 – 5 years | 0.0065% of the notional amount of the USD leg of the Contract*. | |
| >5 – 7 years | 0.0085% of the notional amount of the USD leg of the Contract*. | |
| >7 – 10 years | 0.0115% of the notional amount of the USD leg of the Contract*. | |
| >10 – 12 years | 0.0145% of the notional amount of the USD leg of the Contract*. | |
| >12 – 14 years | 0.0165% of the notional amount of the USD leg of the Contract*. | |
| >14 – 16 years | 0.0185% of the notional amount of the USD leg of the Contract*. | |

(c) Non Deliverable FX Derivatives Contract

| Type of Client Position Account | Registration Fee |
|---|--|
| Contracts registered to a Client Clearing Category 1 Position Account | 0.0006% of the notional amount (in USD) of each Contract per Position Account*. Registration Fees will be billed in aggregate (in HK\$) monthly in arrears. |
| Contracts registered to a Client Clearing Category 2 Position Account | 0.0006% of the notional amount (in USD) of each Contract per Position Account*. Registration Fees will be billed in aggregate (in HK\$) monthly in arrears. |

(d) Deliverable FX Derivatives Contract

| Tenor | Registration Fee | |
|-------------------|---|--|
| | Deliverable FX Forward Contract | Deliverable FX Swap Contract |
| 2 days | 0.0002% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Deliverable FX Forward Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0202% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. | - |
| > 2 days – 1 year | 0.0005% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Deliverable FX Forward Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0205% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. | 0.0007% of the notional amount of the USD leg of the Contract*, provided that the registration fee for Deliverable FX Swap Contracts created pursuant to Section 3.20 of the Clearing Procedures payable by each exceeding Clearing Member shall be 0.0207% of the notional amount of the USD leg of the Contract and no rebate or discount shall apply. |
| > 1 – 3 years | 0.0008% of the notional amount of the USD leg of the Contract*. | 0.0010% of the notional amount of the USD leg of the Contract*. |

(e) Standard Northbound Rates Derivatives Contract

| Tenor | Fee Rate | |
|---------------|--|--|
| | Registration Fee | Maintenance Fee |
| 0 – 1 year | 0.0001% of the notional amount of the Contract*. | 0.000025% of the notional amount of the Contract, on a monthly basis in respect of each Contract until its maturity. Registration Fees and Maintenance Fees will be billed in aggregate (in HK\$) monthly in arrears. |
| >1 – 3 years | 0.0003% of the notional amount of the Contract*. | |
| >3 – 5 years | 0.0004% of the notional amount of the Contract*. | |
| >5 – 6 years | 0.0006% of the notional amount of the Contract*. | |
| >6 – 7 years | 0.0006% of the notional amount of the Contract*. | |
| >7 – 9 years | 0.0008% of the notional amount of the Contract*. | |
| >9 – 10 years | 0.0008% of the notional amount of the Contract*. | |

(iii) De-registration Fee

HK\$ 250 in respect of each Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract, Standard Northbound Rates Derivatives Contract, Non Deliverable Rates Derivatives Contract, Deliverable FX Forward Contract, Deliverable FX Swap Contract or Non Deliverable FX Derivatives Contract previously registered in its name that has been de-registered.

For the avoidance of doubt, the de-registration fee is applicable to Contracts that have been de-registered via de-registration requests that fulfil the conditions set out in either section 3.6.1(i) or section 3.6.1(ii).

(iv) Fee for Resuming User Access or Resetting Password

HK\$ 50 per each user access resumption, password reset or retrieval for the Web Portal (excluding, for the avoidance of doubt, password provided for first time log on).

(v) Fee for Retrieval of Reports Removed from the Web Portal and/or Printing of Reports

HK\$ 5 per page, up to HK\$ 1,000 per each report.

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

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

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

(vii) Default Interest Rate

Default Interest Rate, with respect to an Eligible Currency, represents the higher of (i) best lending rate obtained by OTC Clear from its banker plus 2% per annum and (ii) the relevant interbank offered rate for such Eligible Currency plus 2% per annum.

(viii) Fee for porting of Contracts between Position Accounts held by the same Clearing Member)

HK\$ 10,000 per request

(ix) Fee for porting of some or all Contracts to a Transferee Clearing Member

(a) Partial porting of Contracts: HK\$ 20,000 per request

(b) Full porting of Contracts: HK\$ 20,000 per request

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.

(x) Fee for each request for deposit, porting or withdrawal of non-cash Collateral

(a) Deposit: Charge at cost

(b) Porting: Charge at cost

(c) Withdrawal: Charge at cost

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

Note:

Backloading applies when (a) the Trade Date of a Contract registered in the name of a Clearing Member precedes the commencement of the Membership of that particular Clearing Member; or (b) the Trade Date of an Original Transaction or Original Northbound Transaction submitted for registration as Contracts precedes the effective date of the amendment in the specific product eligibility requirements (as set out in section 3.4 of the Clearing Procedures) and such Original Transaction, but for such amendment, would have not been accepted for registration.

* If (a) the Trade Date of an Original Transaction or Original Northbound Transaction precedes the date on which such Original Transaction or Original Northbound Transaction is submitted to OTC Clear for registration by more than 1 OTC Clear Clearing Day and backloading does not apply; or (b) the aggregate notional amount of Contracts cleared by a Clearing Member exceeds an amount notified in a Clearing Notice to Clearing Members by OTC Clear, the relevant registration fee or such lesser amount as OTC Clear may from time to time agree with the Clearing Member will apply.

(xi) Multilateral Compression Fees

| Contract Type | Multilateral Compression Fee |
|--|--|
| Standard Rates Derivatives Contract | In respect of each Eligible Compression Contract forming part of an accepted Unwind Proposal which is a Standard Rates Derivatives Contract, 0.0003% of the reduction in the notional amount of each such Contract. If an Eligible Compression Contract is terminated in full, the Multilateral Compression Fee shall be 0.0003% of the notional amount of that Contract. |
| Non Deliverable Rates Derivatives Contract | In respect of each Eligible Compression Contract forming part of an accepted Unwind Proposal which is a Non Deliverable Rates Derivatives Contract, 0.0003% of the reduction in the notional amount of each such Contract. If an Eligible Compression Contract is terminated in full, the Multilateral Compression Fee shall be 0.0003% of the notional amount of that Contract. |
| Standard Cross-currency Rates Derivatives Contract | In respect of each Eligible Compression Contract forming part of an accepted Unwind Proposal which is a Standard Cross-currency Rates Derivatives Contract, 0.00096% of the reduction in the notional amount of the USD leg of each such Contract. If an Eligible Compression Contract is terminated in full, the Multilateral Compression Fee shall be 0.00096% of the notional amount of the USD leg of that Contract. |

Appendix II

Additional Financial Centers

| | | |
|--------------|--------------|------------|
| Amsterdam | Helsinki | Prague |
| Ankara | Hong Kong | Reykjavik |
| Athens | Jakarta | Riyadh |
| Auckland | Johannesburg | Santiago |
| Bangkok | Kampala | Sao Paulo |
| Beijing | Kuala Lumpur | Seoul |
| Beirut | Lima | Singapore |
| Bogota | Lisbon | Stockholm |
| Bratislava | London | Sydney |
| Brussels | Lusaka | Taipei |
| Bucharest | Luxembourg | Tallinn |
| Budapest | Madrid | TARGET |
| Buenos Aires | Manila | Tel Aviv |
| Cairo | Mexico City | Tokyo |
| Caracas | Milan | Toronto |
| Copenhagen | Moscow | Vienna |
| Dubai | Mumbai | Warsaw |
| Dublin | Nairobi | Wellington |
| Frankfurt | New York | Zurich |
| Gaborone | Oslo | |
| Hanoi | Paris | |

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

DEED OF CHARGE – HOUSE COLLATERAL ACCOUNT

dated [_____]

created by

[CLEARING MEMBER]

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

as a Clearing Member
in favour of

OTC CLEARING HONG KONG LIMITED

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THIS DEED is dated [] and made between:

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

Background

- (A) The Clearing Member is entering into this Deed in connection with the Clearing Documentation.
- (B) The Board of Directors of the Clearing Member is satisfied that entering into this Deed is for the purposes and to the benefit of the Clearing Member and its business.

This DEED witnesses the following:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

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

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

"Charged Assets" means the assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets.

"Charges" means all or any of the Security created or expressed to be created by or pursuant to this Deed.

"Clearing Procedures" means the practices, procedures and administrative requirements prescribed by OTC Clear from time to time in effect.

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

"Clearing System" means each of (i) the Hong Kong Monetary Authority acting as operator of the Central Moneymarkets Unit Service and (ii) any other clearing system agreed by the Clearing Member and OTC Clear.

"Companies Ordinance" means the Companies Ordinance (Cap. 622) of the Laws of Hong Kong.

"Companies (Winding Up and Miscellaneous Provisions) Ordinance" means the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong.

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

"Delegate" means a delegate or sub-delegate appointed under Clause 10.2 (*Delegation*).

"Interest" means all present and future:

- (a) interest and distributions of any kind and any other cash or securities or investments received or receivable in respect of any of the Charged Assets; and
- (b) all other rights attaching to, deriving from, relating to or exercisable by virtue of the ownership of any of the Charged Assets.

"Liabilities" means all present and future moneys, debts, liabilities and obligations due, owing or incurred by the Clearing Member to OTC Clear under or in connection with any Contract or Clearing Documentation (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise).

"Mainland China" means the People's Republic of China (excluding, for this purpose, Hong Kong, the Macau Special Administrative Region, and the Taiwan area).

"Party" means a party to this Deed.

"Receiver" means a receiver and manager or other receiver appointed in respect of the Charged Assets.

"Repeating Representations" means each of the representations set out in paragraphs (i), (ii), (iii), (iv), (v) and (vii) of Clause 7(a).

"Securities" means:

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

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

"SFO" means the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.

"Winding-up" means winding up, amalgamation, reconstruction, administration, dissolution, liquidation, merger or consolidation or any analogous procedure or step in any jurisdiction.

1.2 Incorporation of defined terms

Unless a contrary indication appears, terms used in the Clearing Rules have the same meaning in this Deed.

1.3 Construction

- (a) Unless a contrary indication appears, any reference in this Deed to:
 - (i) **"OTC Clear"**, the **"Clearing Member"** or any **"Party"** shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Clearing Documentation;
 - (ii) any **"Contract"**, any **"Clearing Documentation"** or any other agreement or instrument is a reference to that Contract, Clearing Documentation or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced; and
 - (iii) a **"person"** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality).
- (b) The provisions in Clearing Rules 102 to 108 apply to this Deed with all necessary changes.
- (c) In the context of the rights, powers, privileges, discretions and immunities conferred on OTC Clear, a Receiver or a Delegate, references to charge or mortgage in any provision of the CPO shall, for the purposes of this Deed, be deemed to be references to the Charges and references to mortgaged land in any provision of the CPO shall, for the purposes of this Deed, be deemed to be references to the Charged Assets.

1A. HOLDING OF SECURITIES

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

[1B. PRIOR DEED OF CHARGE

1B.1 Release

OTC Clear hereby unconditionally and irrevocably:

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

1B.2 New security

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

1B.3 Definitions

For the purposes of this Clause 1B:

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

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

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

1.4 Third Party Rights

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

2. UNDERTAKING TO PAY

The Clearing Member shall pay each of its Liabilities when due in accordance with its terms or, if they do not specify a time for payment, immediately on demand by OTC Clear.

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

3. **SECURITY**

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

- (a) its rights relating to or against any custodian, sub-custodian, depository or clearing system, with whom any of the Securities (or rights relating to any of the Securities) may be deposited to the extent of those Securities and/or related rights;
- (b) rights it may have against any person to require delivery by that person of any of the Securities or any other applicable assets to it or to its order;
- (c) rights (contractually or otherwise) to give instructions relating to the Securities; and
- (d) all claims for damages and rights to receive moneys due or to become due for any reason whatsoever in respect of any of the Securities.

4. **RESTRICTIONS AND FURTHER ASSURANCE**

4.1 **Negative pledge**

The Clearing Member shall not create or permit to subsist any Security over any Charged Assets except for the Charges.

4.2 **Disposal**

The Clearing Member shall not (nor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, withdraw, transfer or otherwise dispose of any Charged Asset except as permitted by the Clearing Rules and Clearing Procedures.

4.3 **Delivery of documents**

The Clearing Member shall deliver or procure that there shall be delivered to OTC Clear such documents relating to the Securities as OTC Clear requires.

4.4 **Further assurance**

- (a) The Clearing Member shall promptly do whatever OTC Clear requires:
 - (i) to perfect or protect the Charges or the priority of the Charges; or
 - (ii) to facilitate the realisation of the Charged Assets or the exercise of any rights vested in OTC Clear or any Receiver,

including, without limitation, making any registration and giving any notice, order or direction.

- (b) The Clearing Member shall take all such action as is available to it (including making all filings and registrations) as may from time to time be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on OTC Clear by or pursuant to this Deed.

5. SECURITIES

5.1 Voting before enforcement

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

5.2 Voting after enforcement

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

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

5.3 Interest before enforcement

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

5.4 Interest after enforcement

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

5.5 Communications

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

5.6 Payment of calls etc.

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

6. GENERAL UNDERTAKINGS

6.1 Information

The Clearing Member shall supply to OTC Clear promptly such information regarding the Charged Assets and its compliance with this Deed as OTC Clear may reasonably request.

6.2 No prejudicial conduct

The Clearing Member shall not do, or permit to be done, anything which could prejudice the Charges.

7. REPRESENTATIONS AND WARRANTIES

- (a) The Clearing Member makes the representations and warranties set out in this paragraph (a) to OTC Clear on the date of this Deed:
- (i) It is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
 - (ii) It has the power to own its assets and carry on its business as it is being conducted.
 - (iii) The obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable, subject to:
 - (A) any general principles of law limiting its obligations which are specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed; or
 - (B) any registrations to be made after the date of this Deed which are specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed.
 - (iv) Its entry into, performance and delivery of this Deed, and the transactions contemplated by this Deed, do not and will not conflict with:
 - (A) any law or regulation applicable to it;
 - (B) its constitutional documents; or
 - (C) any agreement or instrument binding upon it or any of its assets,nor (except for the Charges) result in the existence of, or oblige it to create, any Security (or any other Encumbrance) over any of its assets.
 - (v) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Deed and the transactions contemplated this Deed.
 - (vi) All Authorisations required or desirable:
 - (A) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
 - (B) to make this Deed admissible in evidence in its jurisdiction of incorporation; and
 - (C) to enable it to create the Charges and to ensure that the Charges have the priority and ranking the Charges are expressed to have,have been obtained or effected and are in full force and effect, subject to any registrations specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed.
 - (vii) Subject to any qualifications specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed:

- (A) the choice of Hong Kong law as the governing law of this Deed will be recognised and enforced in its jurisdiction of incorporation; and
 - (B) any judgment obtained in Hong Kong in relation to this Deed will be recognised and enforced in its jurisdiction of incorporation.
- (b) The Repeating Representations are deemed to be made by the Clearing Member by reference to the facts and circumstances then existing on each day additional Securities become Charged Assets.
- (c) In addition, the Clearing Member makes the representations and warranties set out in Clearing Rule 1220 to OTC Clear:
 - (i) on the date of this Deed; and
 - (ii) pursuant to Clearing Rule 1220, on each day Collateral is delivered to OTC Clear pursuant to the Clearing Rules.

8. ENFORCEMENT

8.1 When enforceable

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

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

8.2 Power of sale

The statutory power of sale, of appointing a Receiver and the other statutory powers conferred on mortgagees by Section 51 (*Powers of mortgagee and receiver*) and Section 53 (*Sale by Mortgagee*) of the CPO and the Fourth Schedule (*Powers of mortgagee and receiver*) to the CPO as varied and extended by this Deed shall arise on the date of this Deed and no restriction imposed by any ordinance or other statutory provision in relation to the exercise of any power of sale shall apply to this Deed.

8.3 No requirement of notice period

OTC Clear is not required to give any prior notice of non-payment or default to the Clearing Member before enforcing the Charges, there is no minimum period for which Liabilities must remain due and unpaid before the Charges can be enforced and Paragraph 11 of the Fourth Schedule (*Powers of mortgagee and receiver*) to the CPO (and any similar provision under other laws) does not apply to this Deed.

8.4 No Liability as mortgagee in possession

Nothing done by or on behalf of OTC Clear pursuant to this Deed shall render it liable to account as a mortgagee in possession for any sums other than actual receipts.

8.5 Wide construction of enforcement powers

The powers of OTC Clear under this Deed shall be construed in the widest possible sense and all Parties intend that OTC Clear shall have as wide and flexible a range of powers as may be conferred (or, if not expressly conferred, as is not restricted) by any applicable law.

9. APPOINTMENT AND RIGHTS OF RECEIVERS

9.1 Appointment of Receivers

If:

- (a) requested by the Clearing Member; or
- (b) the Charges become enforceable (whether or not OTC Clear has taken possession of the Charged Assets),

without any notice or further notice, OTC Clear may, by deed, or otherwise in writing signed by any officer or manager of OTC Clear or any person authorised for this purpose by OTC Clear, appoint one or more persons to be a Receiver. OTC Clear may similarly remove any Receiver and appoint any person instead of any Receiver. If OTC Clear appoints more than one person as Receiver, OTC Clear may give those persons power to act either jointly or severally. The provisions of section 50 (*Power to appoint a receiver*) of the CPO (as varied and/or extended by this Deed) shall apply to any appointment made pursuant to this Deed.

9.2 Scope of appointment

Any Receiver may be appointed Receiver of all of the Charged Assets or Receiver of a part of the Charged Assets specified in the appointment. In the latter case, the rights conferred on a Receiver as set out in the Schedule to this Deed shall have effect as though every reference in the Schedule to this Deed to any Charged Assets were a reference to the part of those assets so specified or any part of those assets.

9.3 Rights of Receivers

Any Receiver appointed pursuant to this Clause 9 shall have the rights, powers, discretions, privileges and immunities conferred on receivers by the CPO (as varied and/or extended by this Deed), all powers (if any) conferred on receivers by law or otherwise and shall also have the powers and rights set out in the Schedule to this Deed, all of which powers and rights are exercisable without further notice.

9.4 Agent of Clearing Member

Any Receiver shall be the agent of the Clearing Member for all purposes. The Clearing Member alone shall be responsible for the Receiver's contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by the Receiver.

9.5 Remuneration

OTC Clear may determine the remuneration of any Receiver and direct payment of that remuneration out of moneys he receives as Receiver. The Clearing Member alone shall be liable for the remuneration and all other costs, losses, liabilities and expenses of the Receiver.

10. OTC CLEAR'S RIGHTS

10.1 Rights of OTC Clear

Any rights conferred by this Deed upon a Receiver may be exercised by OTC Clear after the Charges become enforceable, whether or not OTC Clear shall have taken possession or appointed a Receiver of the Charged Assets.

10.2 Delegation

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

11. ORDER OF DISTRIBUTIONS

All amounts received or recovered by OTC Clear or any Receiver or any Delegate in exercise of their rights under this Deed shall be applied in the following order of priority (subject to Clause 15.5 (*Appropriations*)), in each case in accordance with the terms of the Clearing Rules and Clearing Procedures:

- (a) in or towards the payment of all costs, losses, liabilities and expenses of and incidental to the appointment of any Receiver or Delegate and the exercise of any of his rights, including his remuneration and all outgoings paid by him (to the extent that, in OTC Clear's opinion, such costs, losses, liabilities and expenses relate to the amount received or recovered);
- (b) in or towards the payment of Liabilities; and
- (c) in payment of any surplus to the Clearing Member or other person entitled to it.

12. LIABILITY OF OTC CLEAR, RECEIVERS AND DELEGATES

12.1 Possession

If OTC Clear, any Receiver or any Delegate takes possession of the Charged Assets, it or he may at any time relinquish possession.

12.2 OTC Clear's liability

- (a) Neither OTC Clear nor any Receiver or Delegate shall (either by reason of taking possession of the Charged Assets or for any other reason and whether as mortgagee in possession or otherwise) be liable to the Clearing Member or any other person for any costs, losses, liabilities or expenses relating to the realisation of any Charged Assets or from any act, default, omission or misconduct of OTC Clear, any Receiver, any Delegate or their respective officers, employees or agents in relation to the Charged Assets or in connection with any Contract or Clearing Documentation provided that the relevant realisation, act, default, omission or misconduct is done or made, as the case may be, in good faith.
- (b) Nothing in this Deed shall be construed as placing on OTC Clear any liability whatsoever in respect of any calls, instalments or other payments relating to any of the Charged Assets or any rights, shares or other securities accruing, offered or arising as aforesaid, and the Clearing Member shall indemnify OTC Clear in respect of all calls, instalments or other

payments relating to any of the Charged Assets owned by it and to any rights, shares and other securities accruing, offered or arising as aforesaid in respect of any of the Charged Assets.

13. POWER OF ATTORNEY

13.1 Appointment

The Clearing Member by way of security irrevocably appoints OTC Clear, every Receiver and every Delegate severally as its attorney (with full power of substitution), on its behalf and in its name or otherwise, at such time and in such manner as the attorney thinks fit:

- (a) to do anything which the Clearing Member is obliged to do (but has not done) under any Clearing Documentation (including to execute charges over, transfers, conveyances, assignments and assurances of, and other instruments, notices, orders and directions relating to, the Charged Assets); and
- (b) to exercise any of the rights conferred on OTC Clear, any Receiver or any Delegate in relation to the Charged Assets or under or in connection with any Clearing Documentation or under the CPO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or generally under Hong Kong law.

13.2 Ratification

The Clearing Member ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in Clause 13.1 (*Appointment*).

14. PROTECTION OF THIRD PARTIES

14.1 No duty to enquire

No person dealing with OTC Clear, any Receiver or any Delegate shall be concerned to enquire:

- (a) whether the power or rights conferred under or in connection with this Deed are exercisable;
- (b) whether any consents, regulations, restrictions or directions relating to such rights have been obtained or complied with;
- (c) otherwise as to the propriety or regularity of acts purporting or intended to be in exercise of any such rights; or
- (d) as to the application of any money borrowed or raised.

14.2 Protection to purchasers

Subject to the provisions of this Deed, all the protection to purchasers contained in Sections 52 (*Protection of purchaser*), 53 (*Sale by mortgagee*) and 55 (*Mortgagee's receipt*) of the CPO or in any other applicable legislation shall apply to any person purchasing from or dealing with OTC Clear, any Receiver or any Delegate.

15. SAVING PROVISIONS

15.1 Continuing Security

Subject to Clause 16 (*Discharge of Security*), the Charges are continuing Security and will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.

15.2 Reinstatement

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

15.3 Waiver of defences

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

- (a) any time, waiver or consent granted to, or composition with, the Clearing Member or other person;
- (b) the release of the Clearing Member or other person under the terms of any composition or arrangement with any creditor of the Clearing Member;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce any rights against, or security over assets of, the Clearing Member or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Clearing Member or other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Contract or Clearing Documentation or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Contract or Clearing Documentation or any other document or security; or
- (g) any insolvency or similar proceedings.

15.4 Immediate recourse

The Clearing Member waives any right it may have of first requiring OTC Clear (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Clearing Member under this Deed. This waiver applies irrespective of any law or any provision of any Contract or Clearing Documentation to the contrary.

15.5 **Appropriations**

Until all the Liabilities have been irrevocably paid in full and the Membership of the Clearing Member has been terminated in accordance with the Clearing Rules, OTC Clear (or any trustee or agent on its behalf) may:

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

15.6 **Additional Security**

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

16. **DISCHARGE OF SECURITY**

16.1 **Final redemption**

Subject to Clause 16.2 (*Retention of security*), if OTC Clear is satisfied that all the Liabilities have been irrevocably paid in full and that the Membership of the Clearing Member has been terminated in accordance with the Clearing Rules, OTC Clear shall at the request and cost of the Clearing Member release, reassign or discharge (as appropriate) the Charged Assets from the Charges.

16.2 **Retention of security**

If OTC Clear considers that any amount paid or credited to OTC Clear under any Contract or Clearing Documentation is capable of being avoided or otherwise set aside, that amount shall not be considered to have been paid for the purposes of determining whether all the Liabilities have been irrevocably paid.

16.3 **Consolidation**

Any restrictions on the consolidation of Security shall be excluded to the fullest extent permitted by law and OTC Clear shall, so far as it is lawful and subject to other provisions of this Deed, be entitled to consolidate all or any of the Charges with any other Security whether in existence on the date of this Deed or in the future.

17. **PAYMENTS**

17.1 **Demands**

Any demand for payment made by OTC Clear shall be valid and effective even if it contains no statement of the relevant Liabilities or an inaccurate or incomplete statement of them.

17.2 **Payments**

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

17.3 **Continuation of accounts**

At any time after:

- (a) the receipt by OTC Clear of notice (either actual or otherwise) of any subsequent Security affecting the Charged Assets; or
- (b) the presentation of a petition or the passing of a resolution in relation to the Winding-up of the Clearing Member,

OTC Clear may open a new account in the name of the Clearing Member (whether or not it permits any existing account to continue). If OTC Clear does not open such a new account, it shall nevertheless be treated as if it had done so when the relevant event occurred. No moneys paid into any account, whether new or continuing, after that event shall discharge or reduce the Liabilities as at the time the relevant event occurred.

18. RIGHTS, WAIVERS AND DETERMINATIONS

18.1 Ambiguity

Where there is any ambiguity or conflict between the rights conferred by law and those conferred by or pursuant to this Deed, the terms of this Deed shall prevail.

18.2 Remedies and waivers

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

18.3 Determinations

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

19. SEPARATE AND INDEPENDENT OBLIGATIONS

The Security created by the Clearing Member by or in connection with any Contract or Clearing Documentation is separate from and independent of the Security created or intended to be created by any other person by or in connection with any Contract or Clearing Documentation.

20. COUNTERPARTS

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

21. GOVERNING LAW

This Deed is governed by Hong Kong law.

22. JURISDICTION

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed) (a "**Dispute**").

- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) If the Clearing Member is incorporated in a jurisdiction other than Mainland China (i) OTC Clear shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction and (ii) to the extent allowed by law, OTC Clear may take concurrent proceedings in any number of jurisdictions.

SCHEDULE

Rights of Receivers

Any Receiver appointed pursuant to Clause 9 (*Appointment and rights of Receivers*) shall have the right, either in its own name or in the name of the Clearing Member or otherwise and in such manner and upon such terms and conditions as the Receiver thinks fit, and either alone or jointly with any other person:

(a) **Take possession**

to take possession of, get in and collect the Charged Assets, and to require payment to it of all Interest including without limitation, to complete any instruments of transfer and to procure the transfer of the Charged Assets into the name of the Receiver or its nominee and, if necessary, take possession of and collect any documents of title relating to the Charged Assets and/or cause physical documents of title to be withdrawn from any Clearing System and/or cause the Charged Assets to be deposited into any relevant Clearing System, in each case, at the cost and risk of the Clearing Member;

(b) **Deal with Charged Assets**

to sell, transfer, assign, exchange, lend or otherwise dispose of or realise the Charged Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);

(c) **Borrow money**

to borrow or raise money either unsecured or on the security of the Charged Assets (either in priority to the Charges or otherwise);

(d) **Rights of ownership**

to exercise and do (or permit the Clearing Member or any nominee of it to exercise and do) all such rights and things as OTC Clear would be capable of exercising or doing if it were the absolute beneficial owner of the Charged Assets;

(e) **Claims**

to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person relating to the Charged Assets;

(f) **Legal actions**

to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Charged Assets or any business of the Clearing Member;

(g) **Redemption of Security**

to redeem any Security (whether or not having priority to the Charges) over the Charged Assets and to settle the accounts of any person with an interest in the Charged Assets; and

(h) **Other powers**

to do anything else it may think fit for the realisation of the Charged Assets or incidental to the exercise of any of the rights conferred on the Receiver under or by virtue of any Contract, any Clearing Documentation, the CPO, the Companies Ordinance, the Companies (Winding

Up and Miscellaneous Provisions) Ordinance, the SFO and other applicable statutory provisions and common law.

In witness whereof this Deed has been [signed/executed/sealed]¹ [and delivered] as a deed on the date stated at the beginning.

Clearing Member

[Note: For use by a Hong Kong company executing by seal]

**[[THE [COMMON SEAL] of]
[CLEARING MEMBER]**

**[COMMON SEAL OF CLEARING
MEMBER]**

was affixed in the presence of:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]]

OR

[Note: For use by a Hong Kong company executing under hand (subject to requirements in Articles)]

[EXECUTED AND DELIVERED as
a **DEED** by and in the name of

[CLEARING MEMBER] acting by [its sole director]/[two
directors]/[a director and its company secretary]:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]

¹ Ensure that this is consistent with the words used in the relevant signature block – in particular whether “signed”, “executed” and/or “sealed” has been used.

[Signature of witness]

Name

Address

Occupation]

OTC Clear

EXECUTED by [name of authorised
signatory] for and on behalf of **OTC
CLEARING HONG KONG LIMITED** in the
presence of

[Signature of authorised signatory]

.....

.....

[Signature of witness]

Name

Address

Occupation

Address:

Fax No:

Attention:

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

DEED OF CHARGE – CLIENT COLLATERAL ACCOUNTS

dated [_____]

created by

[CLEARING MEMBER]

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

as a Clearing Member
in favour of

OTC Clearing Hong Kong Limited

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THIS DEED is dated [] and made between:

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

Background

- (A) The Clearing Member is entering into this Deed in connection with the Clearing Documentation.
- (B) The Board of Directors of the Clearing Member is satisfied that entering into this Deed is for the purposes and to the benefit of the Clearing Member and its business.

This DEED witnesses the following:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

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

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

"Charged Assets" means the assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets.

"Charges" means all or any of the Security created or expressed to be created by or pursuant to this Deed.

"Clearing Procedures" means the practices, procedures and administrative requirements prescribed by OTC Clear from time to time in effect.

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

"Clearing System" means each of (i) the Hong Kong Monetary Authority acting as operator of the Central Moneymarkets Unit Service and (ii) any other clearing system agreed by the Clearing Member and OTC Clear.

"Companies Ordinance" means the Companies Ordinance (Cap. 622) of the Laws of Hong Kong.

"Companies (Winding Up and Miscellaneous Provisions) Ordinance" means the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong.

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

"Delegate" means a delegate or sub-delegate appointed under Clause 10.2 (*Delegation*).

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

"Interest" means all present and future:

- (a) interest and distributions of any kind and any other cash or securities or investments received or receivable in respect of any of the Charged Assets; and
- (b) all other rights attaching to, deriving from, relating to or exercisable by virtue of the ownership of any of the Charged Assets.

"Liabilities" means all present and future moneys, debts, liabilities and obligations due, owing or incurred by the Clearing Member to OTC Clear under or in connection with any Contract or Clearing Documentation (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise), other than moneys, debts, liabilities and obligations relating to the Clearing Member's House Position Account.

"Mainland China" means the People's Republic of China (excluding, for this purpose, Hong Kong, the Macau Special Administrative Region, and the Taiwan area).

"Party" means a party to this Deed.

"Receiver" means a receiver and manager or other receiver appointed in respect of the Charged Assets.

"Relevant Charged Assets" means, in relation to an amount received or recovered by OTC Clear, any Receiver or any Delegate in exercise of their rights under this Deed, the Charged Assets in respect of which the amount is received or recovered.

"Repeating Representations" means each of the representations set out in paragraphs (i), (ii), (iii), (iv), (v) and (vii) of Clause 7(a).

"Securities" means:

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

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

"SFO" means the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.

"Winding-up" means winding up, amalgamation, reconstruction, administration, dissolution, liquidation, merger or consolidation or any analogous procedure or step in any jurisdiction.

1.2 **Incorporation of defined terms**

Unless a contrary indication appears, terms used in the Clearing Rules have the same meaning in this Deed.

1.3 **Construction**

- (a) Unless a contrary indication appears, any reference in this Deed to:
 - (i) **"OTC Clear"**, the **"Clearing Member"** or any **"Party"** shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Clearing Documentation;
 - (ii) any **"Contract"**, any **"Clearing Documentation"** or any other agreement or instrument is a reference to that Contract, Clearing Documentation or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced; and
 - (iii) a **"person"** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality).
- (b) The provisions in Clearing Rules 102 to 108 apply to this Deed with all necessary changes.
- (c) In the context of the rights, powers, privileges, discretions and immunities conferred on OTC Clear, a Receiver or a Delegate, references to charge or mortgage in any provision of the CPO shall, for the purposes of this Deed, be deemed to be references to the Charges and references to mortgaged land in any provision of the CPO shall, for the purposes of this Deed, be deemed to be references to the Charged Assets.

1.4 **Third Party Rights**

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

1A. HOLDING OF SECURITIES

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

[1B. PRIOR DEED OF CHARGE

1B.1 Release

OTC Clear hereby unconditionally and irrevocably:

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

1B.2 **New security**

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

1B.3 **Definitions**

For the purposes of this Clause 1B:

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

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

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

2. **UNDERTAKING TO PAY**

The Clearing Member shall pay each of its Liabilities when due in accordance with its terms or, if they do not specify a time for payment, immediately on demand by OTC Clear.

3. **SECURITY**

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

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

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

- (b) by way of first fixed charge, all present and future equities of redemption assigned to the Clearing Member as Transferee Clearing Member or Replacement Clearing Member from time to time in connection with the porting of Collateral pursuant to the Clearing Rules and Clearing Procedures.

4. RESTRICTIONS AND FURTHER ASSURANCE

4.1 Negative pledge

The Clearing Member shall not create or permit to subsist any Security over any Charged Assets except for the Charges.

4.2 Disposal

The Clearing Member shall not (nor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, withdraw, transfer or otherwise dispose of any Charged Asset except as permitted by the Clearing Rules and Clearing Procedures.

4.3 Delivery of documents

The Clearing Member shall deliver or procure that there shall be delivered to OTC Clear such documents relating to the Securities as OTC Clear requires.

4.4 Further assurance

- (a) The Clearing Member shall promptly do whatever OTC Clear requires:

- (i) to perfect or protect the Charges or the priority of the Charges; or
- (ii) to facilitate the realisation of the Charged Assets or the exercise of any rights vested in OTC Clear or any Receiver,

including, without limitation, making any registration and giving any notice, order or direction.

- (b) The Clearing Member shall take all such action as is available to it (including making all filings and registrations) as may from time to time be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on OTC Clear by or pursuant to this Deed.

4.5 Assignment of equities of redemption

The Clearing Member shall not assign any equities of redemption held by it in respect of Collateral that is subject to a Deed of Charge in respect of Client Collateral Account(s) other than pursuant to Clearing Rule 835, 1703 or 1704.

4.6 BAU Porting Supplemental Assignment Letter

In respect of any non-cash Collateral that is to be ported pursuant to Clearing Rule 835 either from the Clearing Member as Transferor Clearing Member or to the Clearing Member as Transferee Clearing Member, the Clearing Member shall, upon request by OTC Clear, promptly (and in any event within any timeframe specified by OTC Clear) execute (as Transferor Clearing Member or Transferee Clearing Member, as the case may be) and deliver to OTC Clear a letter in the form of Schedule 2 (*Form of BAU Porting Supplemental Assignment Letter*) to this Deed in respect of that Collateral.

4.7 Default Porting Supplemental Assignment Letter

In respect of any non-cash Collateral that is to be ported pursuant to Clearing Rule 1703 or 1704 either from the Clearing Member as Defaulting Clearing Member or to the Clearing Member as Replacement Clearing Member, the Clearing Member shall, upon request by OTC Clear, promptly (and in any event within any timeframe specified by OTC Clear) execute (as Defaulting Clearing Member or Replacement Clearing Member, as the case may be) and deliver to OTC Clear a letter in the form of Schedule 3 (*Form of Default Porting Supplemental Assignment Letter*) to this Deed in respect of that Collateral.

5. SECURITIES

5.1 Voting before enforcement

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

5.2 Voting after enforcement

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

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

5.3 Interest before enforcement

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

5.4 Interest after enforcement

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

5.5 Communications

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

5.6 Payment of calls etc.

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

6. GENERAL UNDERTAKINGS

6.1 Information

The Clearing Member shall supply to OTC Clear promptly such information regarding the Charged Assets and its compliance with this Deed as OTC Clear may reasonably request.

6.2 No prejudicial conduct

The Clearing Member shall not do, or permit to be done, anything which could prejudice the Charges.

7. REPRESENTATIONS AND WARRANTIES

(a) The Clearing Member makes the representations and warranties set out in this paragraph (a) to OTC Clear on the date of this Deed:

- (i) It is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
- (ii) It has the power to own its assets and carry on its business as it is being conducted.
- (iii) The obligations expressed to be assumed by it in this Deed are legal, valid, binding and enforceable, subject to:
 - (A) any general principles of law limiting its obligations which are specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed; or
 - (B) any registrations to be made after the date of this Deed which are specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed.
- (iv) Its entry into , performance and delivery of this Deed, and the transactions contemplated by this Deed, do not and will not conflict with:
 - (A) any law or regulation applicable to it;
 - (B) its constitutional documents; or
 - (C) any agreement or instrument binding upon it or any of its assets,nor (except for the Charges) result in the existence of, or oblige it to create, any Security (or any other Encumbrance) over any of its assets.
- (v) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Deed and the transactions contemplated this Deed.
- (vi) All Authorisations required or desirable:
 - (A) to enable it lawfully to enter into, exercise its rights and comply with its obligations in this Deed;
 - (B) to make this Deed admissible in evidence in its jurisdiction of incorporation; and

- (C) to enable it to create the Charges and to ensure that the Charges have the priority and ranking the Charges are expressed to have,

have been obtained or effected and are in full force and effect, subject to any registrations specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed.
- (vii) Subject to any qualifications specifically referred to in any legal opinion delivered to OTC Clear in respect of this Deed:
 - (A) the choice of Hong Kong law as the governing law of this Deed will be recognised and enforced in its jurisdiction of incorporation; and
 - (B) any judgment obtained in Hong Kong in relation to this Deed will be recognised and enforced in its jurisdiction of incorporation.
- (b) The Repeating Representations are deemed to be made by the Clearing Member by reference to the facts and circumstances then existing on each day additional Securities become Charged Assets.
- (c) In addition, the Clearing Member makes the representations and warranties set out in Clearing Rule 1220 to OTC Clear:
 - (i) on the date of this Deed; and
 - (ii) pursuant to Clearing Rule 1220, on each day Collateral is delivered to OTC Clear pursuant to the Clearing Rules.

8. ENFORCEMENT

8.1 When enforceable

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

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

8.2 Power of sale

The statutory power of sale, of appointing a Receiver and the other statutory powers conferred on mortgagees by Section 51 (*Powers of mortgagee and receiver*) and Section 53 (*Sale by Mortgagee*) of the CPO and the Fourth Schedule (*Powers of mortgagee and receiver*) to the CPO as varied and extended by this Deed shall arise on the date of this Deed and no restriction imposed by any ordinance or other statutory provision in relation to the exercise of any power of sale shall apply to this Deed.

8.3 No requirement of notice period

OTC Clear is not required to give any prior notice of non-payment or default to the Clearing Member before enforcing the Charges, there is no minimum period for which Liabilities must remain due and unpaid before the Charges can be enforced and Paragraph 11 of the Fourth Schedule (*Powers of mortgagee and receiver*) to the CPO (and any similar provision under other laws) does not apply to this Deed.

8.4 No Liability as mortgagee in possession

Nothing done by or on behalf of OTC Clear pursuant to this Deed shall render it liable to account as a mortgagee in possession for any sums other than actual receipts.

8.5 Wide construction of enforcement powers

The powers of OTC Clear under this Deed shall be construed in the widest possible sense and all Parties intend that OTC Clear shall have as wide and flexible a range of powers as may be conferred (or, if not expressly conferred, as is not restricted) by any applicable law.

9. APPOINTMENT AND RIGHTS OF RECEIVERS

9.1 Appointment of Receivers

If:

- (a) requested by the Clearing Member; or
- (b) the Charges become enforceable (whether or not OTC Clear has taken possession of the Charged Assets),

without any notice or further notice, OTC Clear may, by deed, or otherwise in writing signed by any officer or manager of OTC Clear or any person authorised for this purpose by OTC Clear, appoint one or more persons to be a Receiver. OTC Clear may similarly remove any Receiver and appoint any person instead of any Receiver. If OTC Clear appoints more than one person as Receiver, OTC Clear may give those persons power to act either jointly or severally. The provisions of section 50 (*Power to appoint a receiver*) of the CPO (as varied and/or extended by this Deed) shall apply to any appointment made pursuant to this Deed.

9.2 Scope of appointment

Any Receiver may be appointed Receiver of all of the Charged Assets or Receiver of a part of the Charged Assets specified in the appointment. In the latter case, the rights conferred on a Receiver as set out in Schedule 1 (*Rights of Receivers*) to this Deed shall have effect as though every reference in that Schedule to any Charged Assets were a reference to the part of those assets so specified or any part of those assets.

9.3 Rights of Receivers

Any Receiver appointed pursuant to this Clause 9 shall have the rights, powers, discretions, privileges and immunities conferred on receivers by the CPO (as varied and/or extended by this Deed), all powers (if any) conferred on receivers by law or otherwise and shall also have the powers and rights set out in Schedule 1 (*Rights of Receivers*) to this Deed, all of which powers and rights are exercisable without further notice.

9.4 Agent of Clearing Member

Any Receiver shall be the agent of the Clearing Member for all purposes. The Clearing Member alone shall be responsible for the Receiver's contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by the Receiver.

9.5 **Remuneration**

OTC Clear may determine the remuneration of any Receiver and direct payment of that remuneration out of moneys he receives as Receiver. The Clearing Member alone shall be liable for the remuneration and all other costs, losses, liabilities and expenses of the Receiver.

10. **OTC CLEAR'S RIGHTS**

10.1 **Rights of OTC Clear**

Any rights conferred by this Deed upon a Receiver may be exercised by OTC Clear after the Charges become enforceable, whether or not OTC Clear shall have taken possession or appointed a Receiver of the Charged Assets.

10.2 **Delegation**

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

11. **ORDER OF DISTRIBUTIONS**

All amounts received or recovered by OTC Clear or any Receiver or any Delegate in exercise of their rights under this Deed shall be applied in the following order of priority (subject to Clause 15.5 (*Appropriations*)), in each case in accordance with the terms of the Clearing Rules and Clearing Procedures:

- (a) in or towards the payment of all costs, losses, liabilities and expenses of and incidental to the appointment of any Receiver or Delegate and the exercise of any of his rights, including his remuneration and all outgoings paid by him (to the extent that, in OTC Clear's opinion, such costs, losses, liabilities and expenses relate to the amount received or recovered);
- (b) in or towards the payment of Liabilities relating to the Client Position Account to which the Relevant Charged Assets are or were attributed by OTC Clear in accordance with the Clearing Rules and Clearing Procedures; and
- (c) in payment of any surplus to the Clearing Member or other person entitled to it.

12. **LIABILITY OF OTC CLEAR, RECEIVERS AND DELEGATES**

12.1 **Possession**

If OTC Clear, any Receiver or any Delegate takes possession of the Charged Assets, it or he may at any time relinquish possession.

12.2 **OTC Clear's liability**

- (a) Neither OTC Clear nor any Receiver or Delegate shall (either by reason of taking possession of the Charged Assets or for any other reason and whether as mortgagee in possession or otherwise) be liable to the Clearing Member or any other person for any costs, losses, liabilities or expenses relating to the realisation of any Charged Assets or from any act, default, omission or misconduct of OTC Clear, any Receiver, any Delegate or their respective

officers, employees or agents in relation to the Charged Assets or in connection with any Contract or Clearing Documentation provided that the relevant realisation, act, default, omission or misconduct is done or made, as the case may be, in good faith.

- (b) Nothing in this Deed shall be construed as placing on OTC Clear any liability whatsoever in respect of any calls, instalments or other payments relating to any of the Charged Assets or any rights, shares or other securities accruing, offered or arising as aforesaid, and the Clearing Member shall indemnify OTC Clear in respect of all calls, instalments or other payments relating to any of the Charged Assets owned by it and to any rights, shares and other securities accruing, offered or arising as aforesaid in respect of any of the Charged Assets.

13. POWER OF ATTORNEY

13.1 Appointment

The Clearing Member by way of security irrevocably appoints OTC Clear, every Receiver and every Delegate severally as its attorney (with full power of substitution), on its behalf and in its name or otherwise, at such time and in such manner as the attorney thinks fit:

- (a) to do anything which the Clearing Member is obliged to do (but has not done) under any Clearing Documentation (including to execute charges over, transfers, conveyances, assignments and assurances of, and other instruments, notices, orders and directions relating to, the Charged Assets); and
- (b) to exercise any of the rights conferred on OTC Clear, any Receiver or any Delegate in relation to the Charged Assets or under or in connection with any Clearing Documentation or under the CPO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or generally under Hong Kong law.

13.2 Ratification

The Clearing Member ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in Clause 13.1 (*Appointment*).

14. PROTECTION OF THIRD PARTIES

14.1 No duty to enquire

No person dealing with OTC Clear, any Receiver or any Delegate shall be concerned to enquire:

- (a) whether the power or rights conferred under or in connection with this Deed are exercisable;
- (b) whether any consents, regulations, restrictions or directions relating to such rights have been obtained or complied with;
- (c) otherwise as to the propriety or regularity of acts purporting or intended to be in exercise of any such rights; or
- (d) as to the application of any money borrowed or raised.

14.2 **Protection to purchasers**

Subject to the provisions of this Deed, all the protection to purchasers contained in Sections 52 (*Protection of purchaser*), 53 (*Sale by mortgagee*) and 55 (*Mortgagee's receipt*) of the CPO or in any other applicable legislation shall apply to any person purchasing from or dealing with OTC Clear, any Receiver or any Delegate.

15. **SAVING PROVISIONS**

15.1 **Continuing Security**

Subject to Clause 16 (*Discharge of Security*), the Charges are continuing Security and will extend to the ultimate balance of the Liabilities, regardless of any intermediate payment or discharge in whole or in part.

15.2 **Reinstatement**

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

15.3 **Waiver of defences**

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

- (a) any time, waiver or consent granted to, or composition with, the Clearing Member or other person;
- (b) the release of the Clearing Member or other person under the terms of any composition or arrangement with any creditor of the Clearing Member;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce any rights against, or security over assets of, the Clearing Member or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Clearing Member or other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Contract or Clearing Documentation or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Contract or Clearing Documentation or any other document or security; or
- (g) any insolvency or similar proceedings.

15.4 Immediate recourse

The Clearing Member waives any right it may have of first requiring OTC Clear (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Clearing Member under this Deed. This waiver applies irrespective of any law or any provision of any Contract or Clearing Documentation to the contrary.

15.5 Appropriations

Until all the Liabilities have been irrevocably paid in full and the Membership of the Clearing Member has been terminated in accordance with the Clearing Rules, OTC Clear (or any trustee or agent on its behalf) may:

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

15.6 Additional Security

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

16. DISCHARGE OF SECURITY

16.1 Final redemption

Subject to Clause 16.2 (*Retention of security*), if OTC Clear is satisfied that all the Liabilities have been irrevocably paid in full and that the Membership of the Clearing Member has been terminated in accordance with the Clearing Rules, OTC Clear shall at the request and cost of the Clearing Member release, reassign or discharge (as appropriate) the Charged Assets from the Charges.

16.2 Retention of security

If OTC Clear considers that any amount paid or credited to OTC Clear under any Contract or Clearing Documentation is capable of being avoided or otherwise set aside, that amount shall not be considered to have been paid for the purposes of determining whether all the Liabilities have been irrevocably paid.

16.3 Consolidation

Any restrictions on the consolidation of Security shall be excluded to the fullest extent permitted by law and OTC Clear shall, so far as it is lawful and subject to other provisions of this Deed, be entitled to consolidate all or any of the Charges with any other Security whether in existence on the date of this Deed or in the future.

17. PAYMENTS

17.1 Demands

Any demand for payment made by OTC Clear shall be valid and effective even if it contains no statement of the relevant Liabilities or an inaccurate or incomplete statement of them.

17.2 Payments

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

17.3 Continuation of accounts

At any time after:

- (a) the receipt by OTC Clear of notice (either actual or otherwise) of any subsequent Security affecting the Charged Assets; or
- (b) the presentation of a petition or the passing of a resolution in relation to the Winding-up of the Clearing Member,

OTC Clear may open a new account in the name of the Clearing Member (whether or not it permits any existing account to continue). If OTC Clear does not open such a new account, it shall nevertheless be treated as if it had done so when the relevant event occurred. No moneys paid into any account, whether new or continuing, after that event shall discharge or reduce the Liabilities as at the time the relevant event occurred.

18. RIGHTS, WAIVERS AND DETERMINATIONS

18.1 Ambiguity

Where there is any ambiguity or conflict between the rights conferred by law and those conferred by or pursuant to this Deed, the terms of this Deed shall prevail.

18.2 Remedies and waivers

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

18.3 Determinations

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

19. SEPARATE AND INDEPENDENT OBLIGATIONS

The Security created by the Clearing Member by or in connection with any Contract or Clearing Documentation is separate from and independent of the Security created or intended to be created by any other person by or in connection with any Contract or Clearing Documentation.

20. COUNTERPARTS

This Deed may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed.

21. **GOVERNING LAW**

This Deed is governed by Hong Kong law.

22. **JURISDICTION**

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed) (a "**Dispute**").
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) If the Clearing Member is incorporated in a jurisdiction other than Mainland China (i) OTC Clear shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction and (ii) to the extent allowed by law, OTC Clear may take concurrent proceedings in any number of jurisdictions.

SCHEDULE 1

Rights of Receivers

Any Receiver appointed pursuant to Clause 9 (*Appointment and rights of Receivers*) shall have the right, either in its own name or in the name of the Clearing Member or otherwise and in such manner and upon such terms and conditions as the Receiver thinks fit, and either alone or jointly with any other person:

(a) **Take possession**

to take possession of, get in and collect the Charged Assets, and to require payment to it of all Interest including without limitation, to complete any instruments of transfer and to procure the transfer of the Charged Assets into the name of the Receiver or its nominee and, if necessary, take possession of and collect any documents of title relating to the Charged Assets and/or cause physical documents of title to be withdrawn from any Clearing System and/or cause the Charged Assets to be deposited into any relevant Clearing System, in each case, at the cost and risk of the Clearing Member;

(b) **Deal with Charged Assets**

to sell, transfer, assign, exchange, lend or otherwise dispose of or realise the Charged Assets to any person either by public offer or auction, tender or private contract and for a consideration of any kind (which may be payable or delivered in one amount or by instalments spread over a period or deferred);

(c) **Borrow money**

to borrow or raise money either unsecured or on the security of the Charged Assets (either in priority to the Charges or otherwise);

(d) **Rights of ownership**

to exercise and do (or permit the Clearing Member or any nominee of it to exercise and do) all such rights and things as OTC Clear would be capable of exercising or doing if it were the absolute beneficial owner of the Charged Assets;

(e) **Claims**

to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person relating to the Charged Assets;

(f) **Legal actions**

to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Charged Assets or any business of the Clearing Member;

(g) **Redemption of Security**

to redeem any Security (whether or not having priority to the Charges) over the Charged Assets and to settle the accounts of any person with an interest in the Charged Assets; and

(h) **Other powers**

to do anything else it may think fit for the realisation of the Charged Assets or incidental to the exercise of any of the rights conferred on the Receiver under or by virtue of any Contract,

any Clearing Documentation, the CPO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO and other applicable statutory provisions and common law.

SCHEDULE 2

Form of BAU Porting Supplemental Assignment Letter

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

[Insert date]

Dear Sirs

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

Signature page to the BAU Porting Supplemental Assignment Letter

Transferor Clearing Member

[Note: For use by a Hong Kong company executing by seal]

**[[THE [COMMON SEAL] of]
[TRANSFEROR CLEARING MEMBER]**

**[COMMON SEAL OF TRANSFEROR
CLEARING MEMBER]**

was affixed in the presence of:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]]

OR

[Note: For use by a Hong Kong company executing under hand (subject to requirements in Articles)]

[EXECUTED AND DELIVERED as
a **DEED** by and in the name of

[TRANSFEROR CLEARING MEMBER] acting by [its sole director]/[two
directors]/[a director and its company secretary]:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]

[Signature of witness]

Name

Address

Occupation]

Transferee Clearing Member

**[INSERT NAME OF TRANSFEREE CLEARING
MEMBER]**

By:

SCHEDULE 3

Form of Default Porting Supplemental Assignment Letter

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

[Insert date]

Dear Sirs

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

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

Signature page to the Default Porting Supplemental Assignment Letter

Defaulting Clearing Member

[Note: For use by a Hong Kong company executing by seal]

[[THE [COMMON SEAL] of]

[DEFAULTING CLEARING MEMBER]

**[COMMON SEAL OF DEFAULTING
CLEARING MEMBER]**

was affixed in the presence of:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]]

OR

[Note: For use by a Hong Kong company executing under hand (subject to requirements in Articles)]

[EXECUTED AND DELIVERED as

a **DEED** by and in the name of

[DEFAULTING CLEARING MEMBER] acting by [its sole director]/[two
directors]/[a director and its company secretary]:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]

[Signature of witness]

Name

Address

Occupation]

Replacement Clearing Member

**[INSERT NAME OF REPLACEMENT
CLEARING MEMBER]**

By:

Signature page to the Deed of Charge

In witness whereof this Deed has been [signed/executed/sealed]¹ [and delivered] as a deed on the date stated at the beginning.

Clearing Member

[Note: For use by a Hong Kong company executing by seal]

[[THE [COMMON SEAL] of]
[CLEARING MEMBER]

[COMMON SEAL OF CLEARING
MEMBER]

was affixed in the presence of:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

[Director/Secretary]]

OR

[Note: For use by a Hong Kong company executing under hand (subject to requirements in Articles)]

[EXECUTED AND DELIVERED as
a DEED by and in the name of
[CLEARING MEMBER] acting by [its sole director]/[two
directors]/[a director and its company secretary]:

.....
[Signature of Director]

Director

.....
[Signature of Director/Secretary]

¹ Ensure that this is consistent with the words used in the relevant signature block – in particular whether “signed”, “executed” and/or “sealed” has been used.

[Director/Secretary]

[Signature of witness]

Name

Address

Occupation]

OTC Clear

EXECUTED by [name of authorised signatory] for and on behalf of **OTC CLEARING HONG KONG LIMITED** in the presence of

[Signature of authorised signatory]

.....

.....

[Signature of witness]

Name

Address

Occupation

Address:

Fax No:

Attention:

Appendix V

Designated Maturities available for Linear Interpolation and for a Stub Calculation Period

| Floating Rate Option | Designated Maturity |
|----------------------|--|
| CNH-HIBOR | One Month, Three Months, Six Months and One Year |
| CNY-SHIBOR | One Month, Three Months, Six Months and One Year |
| EUR-EURIBOR | One Week, One Month, Three Months, Six Months, and One Year |
| HKD-HIBOR | One Month, Two Months, Three Months, Six Months and One Year |
| MYR-KLIBOR | One Month, Two Months, Three Months, Six Months and One Year |
| TWD-TAIBOR | One Month, Two Months, Three Months and Six Months |
| KRW-CD 91D | Three Months |

Appendix VI

List of Equivalent Floating Rate Options

| Floating Rate Option | Equivalent Floating Rate Option as defined in the 2006 ISDA Definitions |
|--------------------------------|---|
| CNH-HIBOR | CNH-HIBOR-TMA |
| CNY-SHIBOR | CNY-SHIBOR-Reuters |
| CNY-Fixing Repo Rate | CNY-CNREPOFIX=CFXS-Reuters |
| EUR-EuroSTR-OIS Compound | EUR-EuroSTR-COMPOUND |
| EUR-EURIBOR | EUR-EURIBOR-Reuters |
| HKD-HIBOR | HKD-HIBOR-HKAB |
| HKD-HONIA-OIS Compound | HKD-HONIX-OIS-COMPOUND |
| INR-MIBOR-OIS Compound | INR-MIBOR-OIS-COMPOUND |
| | INR-FBIL-MIBOR-OIS-COMPOUND |
| KRW-CD 91D | KRW-CD-KSDA-Bloomberg |
| | KRW-CD-3220 |
| MYR-KLIBOR | MYR-KLIBOR-BNM |
| TWD-TAIBOR | TWD-TAIBOR-Reuters |
| USD-Federal Funds-OIS Compound | USD-Federal Funds-H.15-OIS-COMPOUND |
| USD-SOFR-OIS Compound | USD-SOFR-COMPOUND |

Appendix VII

Template SSM Tripartite Agreement – sponsoring Clearing Member incorporated in England

SSM TRIPARTITE AGREEMENT

dated [_____]

BETWEEN

OTC CLEARING HONG KONG LIMITED,

[CLEARING MEMBER]

(Registered No. [_____])

and

[SPONSORED SETTLEMENT MEMBER]

(Registered No. [_____])

THIS AGREEMENT is dated [●] and made between:

- (1) **OTC Clearing Hong Kong Limited**, a company incorporated under the laws of Hong Kong (registration number: 1745273) and having its registered office at 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong ("**OTC Clear**");
- (2) [●], incorporated in [England] and having its registered office at [●] (the "**Clearing Member**"); and
- (3) [●], incorporated in [England] and having its registered office at [●] (the "**Sponsored Settlement Member**").

BACKGROUND

- (A) The Parties are entering into this Agreement to simplify the payments between OTC Clear and the Clearing Member in respect of Contracts and between such Clearing Member and its Client under the Corresponding Client Transactions.
- (B) This Agreement sets out the contractual terms on which Sponsored Settlement Members may make direct payments of SSM Payment Amounts to OTC Clear, and vice versa.

IT IS AGREED as follows:

1 Definitions and interpretation

1.1 Definitions

In this Agreement:

"**Clearing Procedures**" means the OTC Clearing Hong Kong Limited Clearing Procedures, as amended from time to time.

"**Clearing Rules**" means the OTC Clear Rates and FX Derivatives Clearing Rules, as amended from time to time, and shall include the Clearing Procedures.

"**CM Corresponding Client Transaction Debt**" has the meaning given to that term in paragraph (b)(i) of Clause 2.1 (*OTC Clear Direct Payment Obligations*).

"**CM Corresponding Debt**" has the meaning given to that term in paragraph (b) of Clause 2.2 (*Sponsored Settlement Member Direct Payment Obligations*).

"**OTC Clear Corresponding Debt**" has the meaning given to that term in paragraph (b) of Clause 2.1 (*OTC Clear Direct Payment Obligations*).

"**OTC Clear Parallel Debt**" has the meaning given to that term in paragraph (b) of Clause 2.1 (*OTC Clear Direct Payment Obligations*).

"**Party**" means a party to this Agreement.

"**SSM Corresponding Client Transaction Debt**" has the meaning given to that term in paragraph (b)(i) of Clause 2.2 (*Sponsored Settlement Member Direct Payment Obligations*).

"**SSM Parallel Debt**" has the meaning given to that term in paragraph (b) of Clause 2.2 (*Sponsored Settlement Member Direct Payment Obligations*).

1.2 Incorporation of defined terms

Unless a contrary indication appears, terms defined in the Clearing Rules or the Clearing Procedures have the same meanings when used in this Agreement.

1.3 Primacy of this Agreement

In the event of any inconsistency or conflict between the provisions of:

- (a) this Agreement; and
- (a) the provisions of the Clearing Rules, the Clearing Procedures, the Client Clearing Agreement between the Clearing Member and the Sponsored Settlement Member or any other agreement entered into between all or any of the Parties,

the provisions of this Agreement shall prevail.

2 Direct Payment Obligations

2.1 OTC Clear Direct Payment Obligations

- (a) OTC Clear shall, subject to paragraph (b) of this Clause 2.1 and to Clause 2.4 (*Termination of Direct Payment Obligations*), pay to the Sponsored Settlement Member amounts equal to (and in the same currency as) any SSM Payment Amounts which are payable from time to time by OTC Clear to the Clearing Member if and when those SSM Payment Amounts are due and payable by OTC Clear to the Clearing Member in accordance with the terms of the Contracts governing those SSM Payment Amounts, the Clearing Rules and the Clearing Procedures.
- (b) Each Party acknowledges and agrees that the obligations of OTC Clear to pay amounts under paragraph (a) of this Clause 2.1 (each amount payable pursuant to those obligations being an “**OTC Clear Parallel Debt**”) are separate and independent from, and shall not in any way limit or affect, any obligations of OTC Clear to pay SSM Payment Amounts to the Clearing Member (each amount payable pursuant to those obligations being an “**OTC Clear Corresponding Debt**”) nor shall any OTC Clear Parallel Debt be limited or affected in any way by any OTC Clear Corresponding Debt provided that:
 - (i) an OTC Clear Parallel Debt shall be automatically and irrevocably discharged to the extent that the corresponding OTC Clear Corresponding Debt (or the Clearing Member's obligations under a Corresponding Client Transaction to pay to the Sponsored Settlement Member amounts which correspond to that OTC Clear Corresponding Debt (each amount payable pursuant to those obligations being a “**CM Corresponding Client Transaction Debt**”)) has or have been irrevocably paid or discharged upon such payment or discharge;
 - (ii) an OTC Clear Corresponding Debt shall be automatically and irrevocably discharged to the extent that the corresponding OTC Clear Parallel Debt has been irrevocably paid or discharged upon such payment or discharge; and
 - (iii) subject to Clause 2.4 (*Termination of Direct Payment Obligations*), OTC Clear may in its sole and absolute discretion elect to make payment in respect of:
 - (A) an OTC Clear Corresponding Debt, which shall have the effect set out in paragraph (b)(i) of this Clause 2.1; or

- (B) an OTC Clear Parallel Debt, which shall have the effect set out in paragraph (b)(ii) of this Clause 2.1.

2.2 Sponsored Settlement Member Direct Payment Obligations

- (a) The Sponsored Settlement Member shall, subject to paragraph (b) of this Clause 2.2 and to Clause 2.4 (*Termination of Direct Payment Obligations*), pay to OTC Clear amounts equal to (and in the same currency as) any SSM Payment Amounts which are payable from time to time by the Clearing Member to OTC Clear if and when those SSM Payment Amounts are due and payable by the Clearing Member to OTC Clear in accordance with the terms of the Contracts governing those SSM Payment Amounts, the Clearing Rules and the Clearing Procedures.
- (b) Each Party acknowledges and agrees that the obligations of the Sponsored Settlement Member to pay amounts under paragraph (a) of this Clause 2.2 (each amount payable pursuant to those obligations being an "**SSM Parallel Debt**") are separate and independent from, and shall not in any way limit or affect, any obligations of the Clearing Member to pay SSM Payment Amounts to OTC Clear (each amount payable pursuant to those obligations being a "**CM Corresponding Debt**") nor shall any SSM Parallel Debt be limited or affected in any way by any CM Corresponding Debt provided that:
 - (i) an SSM Parallel Debt shall be automatically and irrevocably discharged to the extent that the corresponding CM Corresponding Debt (or the Sponsored Settlement Member's obligations under a Corresponding Client Transaction to pay to the Clearing Member amounts which correspond to that CM Corresponding Debt (each amount payable pursuant to those obligations being an "**SSM Corresponding Client Transaction Debt**")) has or have been irrevocably paid or discharged upon such payment or discharge;
 - (ii) a CM Corresponding Debt shall be automatically and irrevocably discharged to the extent that the corresponding SSM Parallel Debt has been irrevocably paid or discharged upon such payment or discharge; and
 - (iii) unless specified to the contrary in the Client Clearing Agreement between the Clearing Member and the Sponsored Settlement Member and subject to Clause 2.4 (*Termination of Direct Payment Obligations*), the Sponsored Settlement Member may in its sole and absolute discretion elect to make payment in respect of:
 - (A) an SSM Corresponding Client Transaction Debt, which shall have the effect set out in paragraph (b)(i) of this Clause 2.2; or
 - (B) an SSM Parallel Debt, which shall have the effect set out in paragraph (b)(ii) of this Clause 2.2.

2.3 Nature of arrangements

- (a) Each Party acts in its own name and as principal (and not as trustee or agent of any person) for the purposes of this Clause 2 (*Direct Payment Obligations*), and no claims in respect of any OTC Clear Corresponding Debt, OTC Clear Parallel Debt, CM Corresponding Debt, SSM Parallel Debt, CM Corresponding Client Transaction Debt or SSM Corresponding Client Transaction Debt shall be held on trust or as agent for any person pursuant to this Clause 2 (*Direct Payment Obligations*).

- (a) Nothing in this Clause 2 (*Direct Payment Obligations*) is intended to, or does, operate to discharge any obligation of any Party other than as, and only to the extent, expressly stated in this Clause 2 (*Direct Payment Obligations*).
- (b) Nothing in this Clause 2 (*Direct Payment Obligations*) is intended to, or does, create in favour of any person any mortgage, charge, lien, pledge, encumbrance or other security interest.

2.4 Termination of Direct Payment Obligations

- (a) If any Contract giving rise to any SSM Payment Amounts to which this Agreement applies (or any Corresponding Client Transaction relating to that Contract) is transferred or terminated (including, without limitation, by means of that Contract being transferred between Client Accounts and House Accounts of the Clearing Member or that Contract being ported to a Replacement Clearing Member (or its termination if porting does not occur)), no amounts shall be payable by OTC Clear under paragraph (a) of Clause 2.1 (*OTC Clear Direct Payment Obligations*) or by the SSM under paragraph (a) of Clause 2.2 (*Sponsored Settlement Member Direct Payment Obligations*) in respect of the SSM Payment Amounts governed by that Contract following the time at which such transfer or termination occurs.
- (b) If the Sponsored Settlement Member ceases to be a Sponsored Settlement Member (as defined in, and for the purposes of, the Clearing Rules), no amounts shall be payable by OTC Clear under paragraph (a) of Clause 2.1 (*OTC Clear Direct Payment Obligations*) or by the Sponsored Settlement Member under paragraph (a) of Clause 2.2 (*Sponsored Settlement Member Direct Payment Obligations*) following the time at which such event occurs.
- (c) This Clause 2.4 shall not have the effect of reducing the amount of any OTC Clear Corresponding Debt, any CM Corresponding Debt, any CM Corresponding Client Transaction Debt or any SSM Corresponding Client Transaction Debt.

3 Representations

The Sponsored Settlement Member represents and warrants, on a continuing basis, that it will satisfy the SSM Eligibility Criteria, and acknowledges and agrees that satisfaction of the SSM Eligibility Criteria is a condition precedent to this Agreement.

4 Counterparts

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

5 Governing law

This Agreement is governed by Hong Kong law.

6 Enforcement

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) (a "**Dispute**").
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

- (c) [Without prejudice to any other mode of service allowed under any relevant law, [●]:
 - (i) irrevocably appoints [●] as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with this Agreement; and
 - (ii) agrees that failure by a process agent to notify [●] of the process will not invalidate the proceedings concerned.]

7 Third Party Rights

- (a) A person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) (the “**Third Parties Ordinance**”) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of this Agreement, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Signed for and on behalf of **OTC Clearing Hong Kong Limited**

Name:

Title:

Date:

Signed for and on behalf of [●]

Name:

Title:

Date:

Signed for and on behalf of [●]

Name:

Title:

Date:

Appendix VIII

Template SSM Tripartite Agreement – sponsoring Clearing Member incorporated in France

SSM TRIPARTITE AGREEMENT

dated [_____]

BETWEEN

OTC CLEARING HONG KONG LIMITED,

[CLEARING MEMBER]

(Registered No. [_____])

and

[SPONSORED SETTLEMENT MEMBER]

(Registered No. [_____])

THIS AGREEMENT is dated [●] and made between:

- (1) **OTC Clearing Hong Kong Limited**, a company incorporated under the laws of Hong Kong (registration number: 1745273) and having its registered office at 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong ("**OTC Clear**");
- (2) [●], incorporated in [France] and having its registered office at [●] (the "**Clearing Member**"); and
- (3) [●], incorporated in [France] and having its registered office at [●] (the "**Sponsored Settlement Member**").

BACKGROUND

- (A) The Parties are entering into this Agreement to simplify the payments between OTC Clear and the Clearing Member in respect of Contracts and between such Clearing Member and its Client under the Corresponding Client Transactions.
- (B) This Agreement sets out the contractual terms on which Sponsored Settlement Members may make direct payments of SSM Payment Amounts to OTC Clear, and vice versa.

IT IS AGREED as follows:

1 Definitions and interpretation

1.1 Definitions

In this Agreement:

"**Clearing Procedures**" means the OTC Clearing Hong Kong Limited Clearing Procedures, as amended from time to time.

"**Clearing Rules**" means the OTC Clear Rates and FX Derivatives Clearing Rules, as amended from time to time, and shall include the Clearing Procedures.

"**CM Corresponding Client Transaction Debt**" has the meaning given to that term in paragraph (b)(i)(i) of Clause 3.1 (*OTC Clear Direct Payment Obligations*).

"**CM Corresponding Debt**" has the meaning given to that term in paragraph (b) of Clause 3.2 (*Sponsored Settlement Member Direct Payment Obligations*).

"**OTC Clear Corresponding Debt**" has the meaning given to that term in paragraph (b) of Clause 3.1 (*OTC Clear Direct Payment Obligations*).

"**OTC Clear Parallel Debt**" has the meaning given to that term in paragraph (b) of Clause 3.1 (*OTC Clear Direct Payment Obligations*).

"**Party**" means a party to this Agreement.

"**SSM Corresponding Client Transaction Debt**" has the meaning given to that term in paragraph (b) of Clause 3.2 (*Sponsored Settlement Member Direct Payment Obligations*).

"**SSM Parallel Debt**" has the meaning given to that term in paragraph (b) of Clause 3.2 (*Sponsored Settlement Member Direct Payment Obligations*).

1.2 Incorporation of defined terms

Unless a contrary indication appears, terms defined in the Clearing Rules or the Clearing Procedures have the same meanings when used in this Agreement.

1.3 Primacy of this Agreement

In the event of any inconsistency or conflict between the provisions of:

- (a) this Agreement; and
- (b) the provisions of the Clearing Rules, the Clearing Procedures, the Client Clearing Agreement between the Clearing Member and the Sponsored Settlement Member or any other agreement entered into between all or any of the Parties,

the provisions of this Agreement shall prevail.

2 Delegations

2.1 In accordance with, and subject to, the provisions of Articles 1336 and *seq.* of the French Civil Code:

- (a) the Clearing Member (as delegating entity, *délégant*) hereby irrevocably and unconditionally delegates OTC Clear (as delegated debtor, *délegué*) to the Sponsored Settlement Member (as beneficiary, *délégataire*) (the "**First Delegation**"). OTC Clear (as delegated debtor) hereby irrevocably and unconditionally accepts such First Delegation. As a result of the First Delegation, OTC Clear shall pay, as primary obligor and not as a surety, directly to the Sponsored Settlement Member the SSM Payment Amounts due by OTC Clear pursuant to, and in accordance with the conditions set out in, Clause 3.1 below. The Sponsored Settlement Member (as beneficiary) hereby expressly accepts: (i) the conditions of the First Delegation; and (ii) OTC Clear as delegated debtor (*délegué*); and
- (b) the Clearing Member (the delegating entity, *délégant*) hereby irrevocably and unconditionally delegates the Sponsored Settlement Member (the delegated debtor, *délegué*) to OTC Clear (as beneficiary, *délégataire*) (the "**Second Delegation**" and, together with the First Delegation, the "**Delegations**"). The Sponsored Settlement Member (as delegated debtor) hereby irrevocably and unconditionally accepts such Second Delegation. As a result of the Second delegation, the Sponsored Settlement Member shall pay, as primary obligor and not as a surety, directly to OTC Clear the SSM Payment Amounts due by the Sponsored Settlement Member pursuant to, and in accordance with the conditions set out in, Clause 3.2 below. OTC Clear (as beneficiary) hereby expressly accepts: (i) the conditions of the Second Delegation; and (ii) the Sponsored Settlement Member as delegated debtor (*délegué*).

2.2 Each of the Delegations constitutes a "*délégation imparfaite*" within the meaning of Article 1338 of the French Civil Code. It is expressly agreed that the Delegations shall not constitute a waiver or release of the Clearing Member's obligations under either of the Clearing Rules, the Clearing Procedures or the Client Clearing Agreement. As a consequence, the Clearing Member, as *délégant*, remains liable: (i) vis-à-vis OTC Clear of any SSM Payment Amounts referred to in Clause 3.2(a) below to the extent set out in Clause 3.2(b); and (ii) vis-à-vis the Sponsored Settlement Member of SSM Payment Amounts referred to in Clause 3.1(a) below, to the extent set out in Clause 3.1(b).

- 2.3 The First Delegation shall automatically terminate when the Clearing Member's obligations under the Corresponding Client Transactions are satisfied in full and/or upon the termination of Direct Payment Obligations referred to in Clause 3.4 below. The second Delegation will terminate when the Clearing Member's obligations under the Contracts are satisfied in full and/or upon the termination of Direct Payment Obligations referred to in Clause 3.4 below.

3 Direct Payment Obligations

3.1 OTC Clear Direct Payment Obligations

- (a) OTC Clear shall, subject to paragraph (b) of this Clause 3.1 and to Clause 3.4 (*Termination of Direct Payment Obligations*), pay to the Sponsored Settlement Member amounts equal to (and in the same currency as) any SSM Payment Amounts which are payable from time to time by OTC Clear to the Clearing Member if and when those SSM Payment Amounts are due and payable by OTC Clear to the Clearing Member in accordance with the terms of the Contracts governing those SSM Payment Amounts, the Clearing Rules and the Clearing Procedures.
- (b) Each Party acknowledges and agrees that the obligations of OTC Clear to pay amounts under paragraph (a) of this Clause 3.1 (each amount payable pursuant to those obligations being an **"OTC Clear Parallel Debt"**) are separate and independent from, and shall not in any way limit or affect, any obligations of OTC Clear to pay SSM Payment Amounts to the Clearing Member (each amount payable pursuant to those obligations being an **"OTC Clear Corresponding Debt"**) nor shall any OTC Clear Parallel Debt be limited or affected in any way by any OTC Clear Corresponding Debt provided that:
- (i) an OTC Clear Parallel Debt shall be automatically and irrevocably discharged to the extent that the Clearing Member's obligations under a Corresponding Client Transaction to pay to the Sponsored Settlement Member amounts which correspond to that OTC Clear Corresponding Debt (each amount payable pursuant to those obligations being a **"CM Corresponding Client Transaction Debt"**) has or have been irrevocably paid or discharged upon such payment or discharge;
 - (ii) an OTC Clear Corresponding Debt shall be automatically and irrevocably discharged to the extent that the corresponding OTC Clear Parallel Debt has been irrevocably paid or discharged upon such payment or discharge; and
 - (iii) subject to Clause 3.4 (*Termination of Direct Payment Obligations*), OTC Clear shall:
 - (A) be required to make payment to the Sponsored Settlement Member in respect of OTC Clear Parallel Debt, which shall have the effect set out in paragraph (b)(ii) of this Clause 3.1 and shall have no discretion to pay the corresponding OTC Clear Corresponding Debt instead; and
 - (B) have the right to receive payment from the Sponsored Settlement Member in respect of SSM Parallel Debt, which shall have the effect set out in paragraph (b)(i)(ii) of Clause 3.2 (*Sponsored Settlement Member Direct Payment Obligations*) below.

3.2 Sponsored Settlement Member Direct Payment Obligations

- (a) The Sponsored Settlement Member shall, subject to paragraph (b) of this Clause 3.2 and to Clause 3.4 (*Termination of Direct Payment Obligations*), pay to OTC Clear amounts equal to (and in the same currency as) any SSM Payment Amounts which are payable from time

to time by the Clearing Member to OTC Clear if and when those SSM Payment Amounts are due and payable by the Clearing Member to OTC Clear in accordance with the terms of the Contracts governing those SSM Payment Amounts, the Clearing Rules and the Clearing Procedures.

- (b) Each Party acknowledges and agrees that the obligations of the Sponsored Settlement Member to pay amounts under paragraph (a) of this Clause 3.2 (each amount payable pursuant to those obligations being an "**SSM Parallel Debt**") are separate and independent from, and shall not in any way limit or affect, any obligations of the Clearing Member to pay SSM Payment Amounts to OTC Clear (each amount payable pursuant to those obligations being a "**CM Corresponding Debt**"), nor shall any SSM Parallel Debt be limited or affected in any way by any CM Corresponding Debt (or the obligations of the Sponsored Settlement Member to pay to the Clearing Member amounts which correspond to that CM Corresponding Debt under a Corresponding Client Transaction (each amount payable pursuant to those obligations being an "**SSM Corresponding Client Transaction Debt**")), provided that:
- (i) an SSM Parallel Debt shall be automatically and irrevocably discharged to the extent that the corresponding CM Corresponding Debt has or have been irrevocably paid or discharged upon such payment or discharge; and
 - (ii) a CM Corresponding Debt shall be automatically and irrevocably discharged to the extent that the corresponding SSM Parallel Debt has been irrevocably paid or discharged upon such payment or discharge; and
 - (iii) notwithstanding anything to the contrary in the Client Clearing Agreement between the Clearing Member and the Sponsored Settlement Member and subject to Clause 3.4 (*Termination of Direct Payment Obligations*), the Sponsored Settlement Member shall:
 - (A) be required to make payment to OTC Clear in respect of SSM Parallel Debt, which shall have the effect set out in paragraph (b)(ii) of this Clause 3.2; and
 - (B) have the right to receive payment from OTC Clear in respect of OTC Clear Parallel Debt, which shall have the effect set out in paragraph (b)(ii) of Clause 3.1 (*OTC Clear Direct Payment Obligations*).

The Sponsored Settlement Member acknowledges and agrees that it shall not have the discretion to make payment in respect of an SSM Corresponding Client Transaction Debt, in lieu of its obligation to make payment in respect of the corresponding SSM Parallel Debt.

3.3 Nature of arrangements

- (a) Each Party acts in its own name and as principal (and not as trustee or agent of any person) for the purposes of this Clause 3 (*Direct Payment Obligations*), and no claims in respect of any OTC Clear Corresponding Debt, OTC Clear Parallel Debt, CM Corresponding Debt, SSM Parallel Debt, CM Corresponding Client Transaction Debt or SSM Corresponding Client Transaction Debt shall be held on trust or as agent for any person pursuant to this Clause 3 (*Direct Payment Obligations*).
- (a) Nothing in this Clause 3 (*Direct Payment Obligations*) is intended to, or does, operate to discharge any obligation of any Party other than as, and only to the extent, expressly stated in this Clause 3 (*Direct Payment Obligations*).

- (b) Nothing in this Clause 3 (*Direct Payment Obligations*) is intended to, or does, create in favour of any person any mortgage, charge, lien, pledge, encumbrance or other security interest.

3.4 Termination of Direct Payment Obligations

- (a) If any Contract giving rise to any SSM Payment Amounts to which this Agreement applies (or any Corresponding Client Transaction relating to that Contract) is transferred or terminated (including, without limitation, by means of that Contract being transferred between Client Accounts and House Accounts of the Clearing Member or that Contract being ported to a Replacement Clearing Member (or its termination if porting does not occur)), no amounts shall be payable by OTC Clear under paragraph (a) of Clause 3.1 (*OTC Clear Direct Payment Obligations*) or by the SSM under paragraph (a) of Clause 3.2 (*Sponsored Settlement Member Direct Payment Obligations*) in respect of the SSM Payment Amounts governed by that Contract following the time at which such transfer or termination occurs.
- (b) If the Sponsored Settlement Member ceases to be a Sponsored Settlement Member (as defined in, and for the purposes of, the Clearing Rules), no amounts shall be payable by OTC Clear under paragraph (a) of Clause 3.1 (*OTC Clear Direct Payment Obligations*) or by the Sponsored Settlement Member under paragraph (a) of Clause 3.2 (*Sponsored Settlement Member Direct Payment Obligations*) following the time at which such event occurs.
- (c) This Clause 3.4 shall not have the effect of reducing the amount of any OTC Clear Corresponding Debt, any CM Corresponding Debt, any CM Corresponding Client Transaction Debt or any SSM Corresponding Client Transaction Debt.

4 Representations

The Sponsored Settlement Member represents and warrants, on a continuing basis, that it will satisfy the SSM Eligibility Criteria, and acknowledges and agrees that satisfaction of the SSM Eligibility Criteria is a condition precedent to this Agreement.

5 Counterparts

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

6 Governing law

This Agreement is governed by Hong Kong law, save for Clause 2 (*Delegation*), which will be governed by French law.

7 Enforcement

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) (a "**Dispute**"), provided that the courts of Hong Kong will apply French law in order to interpret Clause 2 and/or assess the validity and enforceability of the Delegations created pursuant to this Agreement.
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

- (c) Without prejudice to any other mode of service allowed under any relevant law, [●]:
 - (i) irrevocably appoints [●] as its agent for service of process in relation to any proceedings before the Hong Kong courts in connection with this Agreement; and
 - (ii) agrees that failure by a process agent to notify [●] of the process will not invalidate the proceedings concerned.

8 Third Party Rights

- (a) A person who is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623) (the “**Third Parties Ordinance**”) to enforce or to enjoy the benefit of any term of this Agreement.
- (b) Notwithstanding any term of this Agreement, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Signed for and on behalf of **OTC Clearing Hong Kong Limited**

Name:

Title:

Date:

Signed for and on behalf of [●]

Name:

Title:

Date:

Signed for and on behalf of [●]

Name:

Title:

Date:

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