

**OTC Clear Clearing Procedures**

**Chapter 3**

**Rates and FX Clearing Services**

**3.9.1 Procedure for Voluntary Withdrawal of Cash Collateral representing Excess 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, and its Rates and FX Contribution Excess:

- (i) prior to requesting withdrawal of any cash Collateral then deposited with OTC Clear for the purpose of satisfying its Margin requirements, 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 or Client Collateral Account, as the case may be, representing Excess Margin;
- (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 11:00 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 11:00 hours Hong Kong time on such day will be rejected; and

- (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, 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.

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

The following procedures apply to porting of 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, porting of Excess Margin in a Client Collateral Account at a Clearing Member to satisfy Margin requirements in respect of another Client Position Account of that Clearing Member and porting of Excess Margin amongst Client Collateral Accounts of that Clearing Member is prohibited:

- (i) prior to requesting porting of any cash Collateral then deposited with OTC Clear for the purpose of satisfying its Margin requirements from its House Collateral Account to any of its Client Collateral Accounts, 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;
- (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 any of its Client Collateral Accounts via the collateral management window of the Web Portal before 11:00 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).

Any request which is submitted after 11:00 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;

- (iii) 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 once such request has been processed by OTC Clear;
- (iv) OTC Clear will endeavour to effect the porting for value on the same day; and

- (v) 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 relevant Client Collateral Account of the relevant Clearing Member.

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

Cash Collateral representing Excess Margin ported from a Clearing Member's House Collateral Account to a 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.

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

### **3.10.2 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 11:00 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 and (c) the value date for settlement;

- (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, “ <b>New York Business Day</b> ” means a day (other than Saturday and Sunday) on which commercial banks in New York City are open for general business.	USD100 and integral multiples of USD100 in excess thereof
Hong Kong Exchange Fund Bills	one Hong Kong Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	HKD500,000 and integral multiples of HKD500,000 in excess thereof
Hong Kong Exchange Fund Notes	Where, “ <b>Hong Kong Business Day</b> ” means a day (other than Saturday and Sunday) on which commercial banks in Hong Kong are open for general business.	HKD50,000 and integral multiples of HKD50,000 in excess thereof
Bonds issued by the Ministry of Finance of the People’s Republic of China denominated in CNY(offshore)	one day (which is both a Hong Kong Business Day and a Beijing Business Day) following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.  Where, “ <b>Beijing Business Day</b> ” means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.	CNY (offshore)500,000 and integral multiples of CNY (offshore)500,000 in excess thereof

- (iv) a withdrawal request which does not comply with the above parameters or which is submitted after 11:00 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 CMU 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; 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 receiving custodian. 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.

#### **3.10.4 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, porting of Excess Margin amongst Client Collateral Accounts of a Clearing Member and porting of Excess Margin from a Client Collateral Account of a Clearing Member to the House 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 11:00 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:

<b>Type of non-cash Collateral to be ported</b>	<b>Value Date for Settlement to be specified in each porting request</b>	<b>Minimum porting amount</b>
US Treasury Bills	one New York Business Day following the day on which such request is submitted, provided that such value	USD100 and integral multiples of USD100 in excess thereof

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

- (iv) a porting request which does not comply with the above parameters or which is submitted after 11:00 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 CMU that the relevant securities have been transferred from OTC Clear’s CMU account in which

Collateral for Clearing Members' House Business is held to OTC Clear's CMU account 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 CMU.

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.

## **Chapter 6**

### **Rates and FX Guarantee Resources**

#### **6.1.1 Rates and FX Guarantee Fund**

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

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

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

While the resizing of the CM Funded Contribution Amount for each Clearing Member will only be performed on each Rates and FX Contribution Determination Date as defined in, and pursuant to,

Clearing Rule 1503, OTC Clear will perform, for risk monitoring purposes, stress testing and calculation of the relevant pro-rata percentage share and the Daily GF Value with Reserve in respect of each Clearing Member on each OTC Clear Clearing Day.

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

Clearing Member	Position Account STV <sup>(2a)</sup>	Position Account Stress Add-on <sup>(2b)</sup>	Margin Balance <sup>(3)</sup> of Clearing Member	Expected Uncollateralized Loss <sup>(4)</sup>	Relative pro-rata percentage share <sup>(5)</sup>	Daily GF Value <sup>(6)</sup>	Daily GF Value with Reserve <sup>(7)</sup>
A	1,000	80	630	450	25.00%	125.00	137.50
B	300	20	120	200	11.11%	55.56	61.11
C	500	50	300	250	13.89%	69.44	76.39
D	800	100	400	500	27.78%	138.89	152.78
E	600	60	460	200	11.11%	55.56	61.11
F	400	20	220	200	11.11%	55.56	61.11
Total				1,800	100%	500	550

(1) Assumptions

There are six Clearing Members A, B, C, D, E, and F, and none of these six Clearing Members engages in Client Clearing Services. As such, in this illustrative example, in respect of each Clearing Member, OTC Clear will perform the calculations set out in parameters (2a), (2b), (3) and (4) below on such Clearing Member'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 an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

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

(2b) Position Account Stress Add-on

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

- (i) the net present value of each Position Account and Collateral Account excluding Excess Margin of each Clearing Member (the “**Base XNPV**”); and
- (ii) the net present value of each Position Account and Collateral Account excluding Collateral provided in respect of Excess Margin of each Clearing Member 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 (each a “**Stress XNPV**”).

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

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

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

(3) Margin Balance

In the illustrative example, Margin Balance excludes 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.

(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, where:

“**Position Account EUL**” means, with respect to a Position Account of a Clearing Member and an OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included\*, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) recorded to the Collateral Account relating to such Position Account, each determined as of the End-of-Day Cut Off Time on such OTC Clear Clearing Day.

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

(5) Relative pro-rata percentage share

The “**relative pro-rata percentage share**” means, with respect to a Clearing Member and an OTC Clear Clearing Day, the Expected Uncollateralized Loss with respect to such Clearing Member on such day divided by the total Expected Uncollateralized Loss with respect to all Clearing Members on such day. In the illustrative example, since the total Expected Uncollateralized Loss for all six Clearing Members is 1,800, the relative pro-rata percentage share of each Clearing Member will be a percentage equal to such Clearing Member’s Expected Uncollateralized Loss divided by the total Expected Uncollateralized Loss of 1,800. In the case of Clearing Member A, its relative pro-rata percentage share is 25% (being 450/1800) on OTC Clear Clearing Day “X”.

(6) Daily GF Value

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

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\* For the avoidance of doubt, if such CM 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.

- (i) 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; 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.
- (7) Daily GF Value with Reserve
- The “**Daily GF Value with Reserve**” in respect of a Clearing Member will be calculated on each OTC Clear Clearing Day by multiplying the Daily GF Value of such Clearing Member determined on such day by 110%. In the case of Clearing Member A, its Daily GF Value with Reserve is 137.5 (being 125 X 110%) on OTC Clear Clearing Day “X”.
- (8) Client Clearing Services
- With respect to any Clearing Member who engages in Client Clearing Services:
- (i) OTC Clear will determine the Position Account STV, Margin Balance and Position Account EUL for each Client Position Account of such Clearing Member in exactly the same manner as described in parameters (2a), (2b), (3) and (4) above;
  - (ii) the “**Expected Uncollateralized Loss**” for such Clearing Member shall be the sum of:
    - (a) the Position Account EUL relating to its House Position Account; and
    - (b) the aggregate of the Position Account EULs with positive values relating to all Clearing Member’s Client Accounts.

## 6.2 Excess Margin and CM Funded Contribution Amount

Pursuant to section 6.1.1(4), with respect to each Clearing Member, its Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with

Clearing Rule 1218A, in which case Excess Margin shall be included\*, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) will be used to determine its Position 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	Position Account STV	Position Account Stress Add-on	Margin Balance <sup>#</sup> of Clearing Member	Expected Uncollateralized Loss	Relative pro-rata percentage share	Daily GF value	Daily GF Value with Reserve
A	1,000	80	630 → 780	300	18.18%	90.91	100.00
B	300	20	120	200	12.12%	60.61	66.67
C	500	50	300	250	15.15%	75.76	83.33
D	800	100	400	500	30.30%	151.52	166.67
E	600	60	460	200	12.12%	60.61	66.67
F	400	20	220	200	12.12%	60.61	66.67
Total				1,650	100%	500	550

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

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

\* For the avoidance of doubt, if such CM 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.