

OTC Clear Clearing Rules

PART IV RISK MANAGEMENT AND DEFAULT PROCEDURES

Chapter 12 Margin

1211. Notwithstanding Clearing Rule 1210, for the purpose of satisfying a Routine Intra-day VM Call and Ad Hoc Intra-day VM Call, a Clearing Member may, in lieu of payment of cash in an Eligible Currency, deliver to OTC Clear non-cash Collateral as is acceptable to OTC Clear in the manner and at or prior to the time specified in the Clearing Procedures. Any Collateral (cash or non-cash) delivered by a Clearing Member for satisfaction of a Routine Intra-day VM Call and Ad Hoc Intra-day VM Call on an OTC Clear Business Day shall not be taken into account when OTC Clear performs its end-of-day Variation Margin and/or Ad Hoc Intra-day VM Call calculation on such day. If, subsequent to the end-of-day Variation Margin calculation on such day, a Clearing Member delivers cash in the relevant Contractual Currency in full satisfaction of its end-of-day Variation Margin requirement determined for such day, such Clearing Member shall be entitled to request OTC Clear to redeliver any Collateral previously delivered by the relevant Clearing Member to satisfy a Routine Intra-day VM Call and Ad Hoc Intra-day VM Call under this Clearing Rule 1211 as Excess Margin provided that if it has opted to utilize its Excess Margin under Clearing Rule 1218A, it may only request such redelivery after it has notified OTC Clear in the manner described in section 3.9.1 or section 3.10.2, as the case may be, of the Clearing Procedures.
1218. A Clearing Member may request OTC Clear to redeliver Collateral in equivalent form and currency as any Collateral it has delivered to OTC Clear as Margin in a value not exceeding the Excess Margin; provided that if it has opted to utilize its Excess Margin under Clearing Rule 1218A, it may only request such redelivery after it has notified OTC Clear in the manner described in section 3.9.1 or section 3.10.2, as the case may be, of the Clearing Procedures. A Clearing Member shall specify the exact form and currency of the relevant Collateral requested to be redelivered. Following receipt of such request, OTC Clear will deliver to such Clearing Member (in the manner described in section 4.7 of the Clearing Procedures) Collateral in equivalent form and currency as requested in an amount not exceeding the Excess Margin, except that OTC Clear may deliver Collateral in other form or currency determined by OTC Clear if:
- (1) with respect to a Defaulting Clearing Member only, the relevant Collateral is delivered prior to any DMP Event and such Collateral or part thereof was applied in such DMP Event; or
 - (2) any part of the Collateral is of a type or currency that is subject to any foreign exchange or other settlement risk or disruption, as determined by OTC Clear, at the time such Collateral is due to be redelivered to Clearing Members.
- 1218A. A Clearing Member may opt to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Account(s), where Expected

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

Chapter 15 Rates and FX Guarantee Resources

1510. Notwithstanding the operation of Clearing Rule 1508, if OTC Clear determines that:

- (1) the Expected Uncollateralized Loss ("EUL") with respect to a Clearing Member on any two consecutive OTC Clear Clearing Days during the period between two Rates and FX Contribution Determination Dates exceeds its largest EUL within the GF Calculation Period relating to the earlier of the two Rates and FX Contribution Determination Date by 10% or more, and the EUL for such Clearing Member exceeds 50% of the Rates and FX Guarantee Fund, where Expected Uncollateralized Loss has the meaning given to it in section 6.1.1(4) of the Clearing Procedures (and as modified by section 6.1.1(8) of the Clearing Procedures if Client Clearing Services are provided); or
- (2) the EUL with respect to a Clearing Member on any two consecutive OTC Clear Clearing Days during a Capped Liability Period exceeds its largest EUL within the GF Calculation Period relating to the Rates and FX Contribution Determination Date immediately preceding the start of such Capped Liability Period by 10% or more, and the EUL for such Clearing Member exceeds 50% of the Rates and FX Guarantee Fund

(such excess, the "**Increased Risk**"),

then OTC Clear has the right to demand additional Collateral from such Clearing Member in an amount equal to the Increased Risk determined on the relevant second consecutive OTC Clear Clearing Day. The relevant Clearing Member shall provide additional Collateral to OTC Clear on the immediately following OTC Clear Business Day following receipt of OTC Clear's notice. Thereafter, the requirement on additional Collateral will be determined by OTC Clear on a daily basis according to the latest calculation of Increased Risk less the amount of additional Collateral collected under this Clearing Rule 1510. Any additional Collateral provided by the relevant Clearing Member pursuant to this Clearing Rule 1510 shall be treated as part of such Clearing Member's Additional Margin.

Additional Collateral provided by a Clearing Member pursuant to a demand made by OTC Clear under this Rule 1510 one day before the later Rates and FX Contribution Determination Date will still be required by OTC Clear as Additional Margin under this Clearing Rule 1510 until the receipt of any additional Collateral demanded by OTC Clear pursuant to Clearing Rule 1505 to reflect the new CM Funded Contribution Amount of such Clearing Member as calculated on the later Rates and FX Determination Date. The Maximum Current Liability determined in respect of a Non-Defaulting Clearing Member during a Capped Liability Period pursuant to Clearing Rule 1513 will not be increased by virtue of the application of this Clearing Rule 1510.