

## **Clearing Procedures of OTC Clearing Hong Kong Limited**

### **3.9.4 Black Rainstorm Warning, Typhoon Signal Number 8 or Extreme Conditions**

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 the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to 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 replaced with Typhoon Signal Number 3 or below, the special arrangement as set out in section 9.5 of these Clearing Procedures will apply and the operation of the procedures set out in this section 3.9 shall be construed accordingly.

### **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 on a particular payment date must be settled by the Clearing Member:
  - (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 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 Clearing Member 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 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 Black Rainstorm Warning or a Typhoon Signal Number 8 or above is issued by The Hong Kong Observatory or Extreme Conditions are announced, 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.

**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 7.7 of the ISDA Definitions shall apply.

**9.5 Special Arrangement of Voluntary Deposit of Cash Collateral, Porting of Excess Margin and Withdrawal of Excess Margin and Rates and FX Contribution Excess under Adverse Weather Conditions**

This section 9.5 includes the arrangement surrounding depositing, porting or withdrawing cash Collateral on a voluntary basis 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.

**9.5.2 Typhoon Signal Number 8 or Above or Extreme Conditions**

**9.5.2.1 Deposit of Cash Collateral**

- (i) if a Typhoon Signal Number 8 or above is hoisted by The Hong Kong Observatory or Extreme Conditions are announced prior to 07:00 hours Hong Kong time on an OTC Clear Clearing Day and the typhoon is lowered to a number 3 tropical cyclone warning signal (a “**Typhoon Signal Number 3**”) or below by The Hong Kong Observatory and Extreme Conditions are cancelled (where applicable) at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the

day such deposit is due to be processed;

- (ii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Clearing Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed;
- (iii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Clearing Day; and
  - (a) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced at or before 13:00 hours Hong Kong time on that day; or
  - (b) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 11:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed; or

- (iv) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Clearing Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such deposit is due to be processed.

#### **9.5.2.2 Withdrawal of Cash Collateral**

- (i) if a Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any

request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;

- (iii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and
  - (a) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced at or before 13:00 hours Hong Kong time on that day; or
  - (b) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 11:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day; or

- (iv) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed.

**9.5.2.3 Porting of Cash Collateral from the House Collateral Account of a Clearing Member to a Client Collateral Account of that Clearing Member**

- (i) if a Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;
- (iii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and

- (a) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced at or before 13:00 hours Hong Kong time on that day; or
- (b) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 11:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for porting of cash Collateral on such day will, notwithstanding section 3.9.3 of these Clearing Procedures, not be processed on that day; or

- (iv) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced after 13:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed in accordance with section 3.9.3 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed.

**9.5.2.4 Porting of Cash Collateral from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member**

- (i) if a Typhoon Signal Number 8 or above is hoisted by The Hong Kong Observatory or Extreme Conditions are announced prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below by The Hong Kong Observatory and Extreme Conditions are cancelled (where applicable) at or prior to 07:00 hours Hong Kong time on that day, requests submitted for the porting of cash Collateral on such day from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member, as the case may be, will be processed by OTC Clear in accordance with section 3.17.6 or 3.18.2 of these Clearing Procedures, respectively, notwithstanding that banking services are not available to OTC Clear in Hong Kong on the day such porting of cash Collateral is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day, requests submitted for the porting of cash Collateral on such day from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member, as the case may be, will be processed by OTC Clear in accordance with section 3.17.6 or 3.18.2 of these Clearing Procedures, respectively, on reasonable endeavour basis;
- (iii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day; and
  - (a) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time

on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced at or before 13:00 hours Hong Kong time on that day; or

- (b) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 11:00 hours Hong Kong time on that day,

requests submitted for the porting of cash Collateral on such day from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member, as the case may be, will be processed by OTC Clear in accordance with section 3.17.6 or 3.18.2 of these Clearing Procedures, respectively, on reasonable endeavour basis; or

- (iv) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 11:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced after 13:00 hours Hong Kong time on that day, requests submitted for the porting of cash Collateral on such day from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member, as the case may be, will be processed in accordance with section 3.17.6 or 3.18.2 of these Clearing Procedures, respectively, on reasonable endeavour basis.

**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.

**9.6.2 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:

<b>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</b>	<b>Arrangements</b>
(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 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.

## Glossary

<b>Defined Term</b>	<b>Page No</b>
Absolute Risk Limit	4 / 10
Accepted Medium for De-registration	3 / 37
Account Limits	4 / 9
Accrual Factor	4 / 5
Ad Hoc Intra-day VM Call	4 / 7
Additional Payment	3 / 25
Affected Amount	3 / 67
Affected Clearing Member	3 / 67
Application Form	2 / 1
Approved Trade Registration System	3 / 1
Base NPV	6 / 2
Black Rainstorm Warning	3 / 49
Bulk Settlement Run	3 / 56
Bulk Settlement Run process	3 / 57
Client Account Limit	4 / 9
Client Business	3 / 49
Close-out Variation Margin	10 / 1
CNY IRS	8 / 2
CNY NDF	8 / 2
Collateral Concentration Limit	7 / 2
Collateral Haircut	7 / 2
Daily GF Value	6 / 3
Daily GF Value with Reserve	6 / 4
End-of-Day Cut Off Time	4 / 12
End-of-Day Margin Requirements	4 / 12
End-of-Day Settlement Process	4 / 12
Event of Default Determination	3 / 66
Expected Uncollateralized Loss	6 / 3
Extreme Conditions	3 / 49
Fees Schedule	3 / 46
Final Settlement Cycle Determination Date	10 / 1
first Clearing Member or Client	3 / 37
Fixing Days Offset	3 / 24
Frequency	5 / 3
GF Calculation Period	6 / 1
HK\$ IRS	8 / 2
Holiday Margin	4 / 7
HKICL	3 / 56
House Account Limit	4 / 9
Intra-day VM Limit	4 / 6
Liquidity Risk Multiplier	4 / 4
Margin Process	4 / 9
Margin Process Hours	1 / 1
Max EUL	6 / 3
MTM	5 / 1
Non-Hong Kong Incorporated Person	2 / 2
Novation Transaction	3 / 29
Notional Exchange Risk Multiplier	4 / 4
OIS	4 / 5
PAI	4 / 5
PAI Rate	4 / 5
payment-versus-payment (or PVP)	3 / 57
Porting Completion Time	3 / 63
Position Account EUL	6 / 3
Position Account STV	6 / 2
Product Suspension Event	3 / 36

OTC CLEAR CLEARING PROCEDURES