

Chapter 3

Rates and FX Clearing 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 or, in the case of a Client, request the relevant Clearing Member to submit such instructions to the same Approved Trade Registration System. Upon receipt of the instructions from the Clearing Members, the 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 is matched by an Approved Trade Registration System, Clearing Members can submit an Original Transaction to OTC Clear for registration via an Approved Trade Registration System. Any Original 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 or TDRP13)” 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)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP01, TDRP02, TDRP03, TDRP04, TDRP05, TDRP06, TDRP11, TDRP12 or TDRP13)” and “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)” are available to the Clearing Members on the Web Portal.

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 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 based upon execution method or venue. However, Original Transactions ~~can~~will be accepted only ~~be if they are~~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 submitted to OTC Clear through an Approved Trade Registration System shall be deemed to be submitted for or by the relevant Clearing Member. ~~The Approved Trade Registration Systems designated by OTC Clear are the matching and confirmation service for over-the-counter derivatives transactions provided by (i) MarkitSERV Limited (“MarkitWire”), (ii) MarkitSERV, LLC (“DSMatch”) and (iii) Traiana, Inc. (“Traiana”) (each an “Approved Trade Registration System”). OTC Clear only accepts an Original Transaction that is submitted via one of the relevant Approved Trade Registration Systems.~~ 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 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 to ensure that all Original Transactions are submitted by its authorized personnel. A Clearing Member should ensure that it complies 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. OTC Clear is not liable for any losses suffered by any Clearing Member or Client 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 by Clearing Members - Status of Registration of a Transaction and Notification of Results

Any Original Transaction submitted by a Clearing Member (or by a Designated Person on its behalf) to OTC Clear for registration is required to satisfy the Eligibility Requirements.

In respect of an Original Transaction submitted for registration before 18:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will, on such OTC Clear Clearing Day, perform both product eligibility requirement checks set out in section 3.4 and the "Margin Process" set out in section 4.6 of these Clearing Procedures on such Original Transaction.

In respect of an Original Transaction submitted to OTC Clear for registration between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will perform product eligibility requirements checks set out in section 3.4 on such Original Transaction on the same day. The "Margin Process" on such Original Transaction will only be performed during the Margin Process Hours, and as such, such Original Transaction will not be registered by OTC Clear until the immediately following OTC Clear Clearing Day assuming the Original Transaction satisfies the "Margin Process" set out in section 4.6 of these Clearing Procedures.

In respect of an Original Transaction submitted to OTC Clear 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, OTC Clear will perform product eligibility requirements checks set out in section 3.4 and the "Margin Process" set out in section 4.6 of these Clearing Procedures on such Original Transaction on the immediately following OTC Clear Clearing Day.

If an Original Transaction does not satisfy the applicable product eligibility requirements as set out in section 3.4, or if it contains any invalid or incomplete trade data, such Original Transaction 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 the relevant Approved Trade Registration System.

If an Original Transaction satisfies the applicable product eligibility requirements set out in section 3.4, but does not satisfy the “Margin Process” as set out in section 4.6 of these Clearing Procedures, such Original Transaction will be put on “pending” status in the Rates and FX Clearing System. The result will be communicated to the relevant Approved Trade Registration System. The transaction will be flagged as “WAIT_MARGIN”, “LIMIT_FAILED” or “PROCESSING” in the “OTC Clear Trade Report (Report Number TDRP03, TDRP04 or TDRP12)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C or TDRP12_C)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP03, TDRP04, or TDRP12)” and “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C or TDRP12_C)” are available to the Clearing Members on the Web Portal.

~~Any “pending” Original Transaction (save and except any “pending” Original Standard Cross-currency Rates Derivatives Transaction, Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction) that is not accepted for registration by the commencement of the End-of-Day Settlement Process on the OTC Clear Clearing Day immediately following the day on which such “pending” Original Transaction (save and except any “pending” Original Standard Cross-currency Rates Derivatives Transaction, Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction) satisfies the applicable product eligibility requirements set out in section 3.4 will be rejected by OTC Clear.~~

~~Any Original Standard Cross-currency Rates Derivatives Transaction or Original Deliverable FX Forward Transaction or Original Deliverable FX Swap~~ Any Original Transaction that is submitted to OTC Clear for registration between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day and put on “pending” status in the Rates and FX Clearing System will be rejected by OTC Clear if it is not accepted for registration by the commencement of the End-of-Day Settlement Process on the immediately following OTC Clear Clearing Day. Otherwise any “pending” Original ~~Standard Cross-currency Rates Derivatives Transaction or Original Deliverable FX Forward Transaction or Original Deliverable FX Swap~~ Transaction that is not accepted for registration by the commencement of the End-of-Day Settlement Process on the OTC Clear Clearing Day on which such “pending” Original ~~Standard Cross-currency Rates Derivatives Transaction or Original Deliverable FX Forward Transaction or Original Deliverable FX Swap~~ Transaction satisfies the applicable product eligibility requirements set out in section 3.4 will be rejected by OTC Clear.

The result of rejection will be communicated to the relevant Approved Trade Registration System. The transaction will be flagged as “REJECTED” in the “OTC Clear Trade Report (Report Number TDRP05, TDRP06 or TDRP13)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP05_C, TDRP06_C or TDRP13_C)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP05, TDRP06 or TDRP13)” and “OTC Clear Trade Report for Client (Report Number TDRP05_C, TDRP06_C or TDRP13_C)” are available to the Clearing Members on the Web Portal.

If an Original Transaction satisfies all applicable Eligibility Requirements, such Original Transaction will be registered by OTC Clear as two Contracts. The result will be communicated to the relevant Approved Trade Registration System. 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, 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

3.4.2.10 Period End 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 which is denominated in CNY, KRW, MYR, THB or TWD for registration only if:
 - (a) with respect to the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that Original Transaction, then with respect to each Floating Rate Payer) of that particular Original Transaction:
 - (A) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Floating Rate Payer are subject to adjustment; or
 - (B) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Floating Rate Payer are subject to no adjustment; and
 - (b) with respect to the Fixed Rate Payer of that particular Original Transaction (if applicable):
 - (A) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer are subject to adjustment; or
 - (B) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer are subject to no adjustment;
- (ii) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, OTC Clear will accept such Original Transaction for registration only if:
 - (a) with respect to the Floating Rate Payer of that particular Original Transaction, the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Floating Rate Payer are subject to adjustment; and
 - (b) with respect to the Fixed Rate Payer of that particular Original Transaction:
 - (A) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than

the final Calculation Period) relating to such Fixed Rate Payer are subject to adjustment; or

- (B) the Termination Date (or the Period End Date in respect of the final Calculation Period) for determination of the final Calculation Period and the Period End Date for determination of each Calculation Period (other than the final Calculation Period) relating to such Fixed Rate Payer are subject to no adjustment; and

(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 stub is inapplicable to any Calculation Period in respect of:

- (A) the Floating Rate Payer and/or the Fixed Rate Payer of that particular Original Transaction; or
- (B) one of or both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction;

- (b) 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 in respect of:

- (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or
- (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction; or

- (c) 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 in respect of:

- (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or
- (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction; or

(d) 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 stub is inapplicable to any Calculation Period in respect of:

- (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or

- (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate 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 a relevant calendar month and stub is applicable to the final Calculation Period in respect of:
 - (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or
 - (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate 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 falls on the last calendar day of a relevant calendar month and stub is applicable to the initial Calculation Period in respect of:
 - (A) the Floating Rate Payer and the Fixed Rate Payer of that particular Original Transaction; or
 - (B) both of the Floating Rate Payers of that particular Original Transaction if a Fixed Rate Payer is not applicable to that particular Original Transaction.

3.4.2.11 Payment Lag

In respect of each Original Transaction, payment lag is the number of the relevant Business Days by which the Payment Date precedes or follows the Period End Date of the relevant Calculation Period of that particular 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 payment lag is zero.

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 Rate Payer (or if a Fixed Rate 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 Rate Payer), the frequency of payment of each Floating Amount payable by such Floating Rate 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)

Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed Rate Payer; or

- (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 initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Fixed Rate Payer to which stub is applicable; and

(B) one month, three months, six months or one year;

- (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 ~~the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction precedes any forthcoming Payment Date of that particular Original Transaction by a minimum of four days, where each of these four days is (a) a Currency Day for the Contractual Currency of that particular Original Transaction and (b) an OTC Clear Clearing Day; and such Original Transaction is submitted to OTC Clear for registration:~~

- (a) prior to 18:00 hours Hong Kong time on an OTC Clearing Day that falls at least two OTC Clearing Days prior to any forthcoming Payment Date of that Original Transaction; or
(b) between 18:00 hours Hong Kong time to 19:00 hours Hong Kong time on an OTC Clearing Day that falls at least three OTC Clearing Days 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 ~~the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction precedes any forthcoming Payment Datesuch Original Transaction is submitted to OTC Clear for registration:~~

- (a) prior to 18:00 hours Hong Kong time on an OTC 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 in respect of Additional Payments which are set out in section 3.4.2.17) of that particular Original Transaction by a minimum of four days, where each of these four days is (a) a Currency Day for each Contractual Currency of that particular Original Transaction and (b) an OTC Clear Clearing Day.) that falls at least two OTC Clearing Days prior to any forthcoming Payment Date of that Original Transaction; or
(b) between 18:00 hours Hong Kong time to 19:00 hours Hong Kong time on an OTC Clearing Day that falls at least three OTC Clearing Days prior to any forthcoming Payment Date of that Original Transaction.

such Compounding Period is consistent with that prescribed for in Article 7 of the ISDA Definitions; and

- (ix) with regard to any Calculation Period in respect of the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then in respect of each Floating Rate 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, KRW or THB, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in Article 7 of the ISDA Definitions.

“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 Article 7 of the ISDA Definitions. 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) the Payment Date of any Additional Payment designated by the Clearing Members is preceded by the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction for a minimum of ~~four~~two days, where each of these ~~four~~two days is:
 - (a) a Currency Day for the Contractual Currency of that particular Original Standard Rates Derivatives Transaction; or
 - (b) a Currency Day for the Contractual Currency in which the Additional Payment is to be made under that particular Original Standard Cross-currency Rates Derivatives Transaction
and in each case is an OTC Clear Clearing Day;
- (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.

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.

- (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 Floating Rate has been designated by the Clearing Members 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 Article 7 of the ISDA Definitions 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 (740 days)	2 Beijing Business Days
INR		2 years (740 days)	2 Mumbai Business Days
KRW		2 years (740 days)	2 Seoul Business Days
TWD		2 years (740 days)	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 **fourtwo** days where each of these **fourtwo** 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.

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 “DECLEARED”, “TERMINATED” or “TRANSFERED”.

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

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

3.6 De-registration

Subsequent to the registration of an Original 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) the relevant Contract has not reached its scheduled Termination Date or Settlement Date, and has not been previously terminated; and
- (ii) the de-registration request is submitted by or on behalf of both parties to the Original Transaction corresponding to the Contract via ~~the relevant Approved Trade Registration System~~ any acceptable medium designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice (each an “Accepted Medium for De-registration”). If a de-registration request is submitted by or on behalf of only one of the two parties to the Original Transaction, OTC Clear will not accept such de-registration request. OTC Clear is not responsible for, and shall not be under any obligation to, providing a Clearing Member or Client (“**first Clearing Member or Client**”) with the identity of the Clearing Member or Client who was counterparty to the first Clearing Member or Client under the relevant Original Transaction corresponding to the Contract requested to be de-registered. For the avoidance of doubt, de-registration of Contracts corresponding to an Original Transaction 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 both Contracts (corresponding to an Original Transaction) being de-registered. If the Margin Process referred to in section 4.6.5 of the Clearing Procedures is satisfied with respect to one but not both of the Contracts, OTC Clear will not accept the de-registration request relating to either of such Contracts.

3.6.2 Process of De-registration

In respect of a de-registration request submitted to OTC Clear before 18:00 hours Hong Kong time on an OTC Clear Clearing Day such de-registration request will be processed by OTC Clear on the same day.

In respect of a de-registration request submitted to OTC Clear between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will perform the de-registration process described in this section 3.6 on the same day. The “Margin Process” will only be performed during the Margin Process Hours, and as such, the relevant Contract will not be de-registered by OTC Clear until the immediately following OTC Clear Clearing Day assuming the “Margin Process” set out in section 4.6 of these Clearing Procedures are satisfied.

In respect of a de-registration request submitted to OTC Clear 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, such de-registration request will be processed by OTC Clear on the immediately following OTC Clear Clearing 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 or via the relevant ~~Approved Trade Registration System~~Accepted Medium for De-registration but will not be made available to the Clearing Members on the Web Portal.

If a de-registration request satisfies the conditions set out in section 3.6.1, but does not satisfy the “Margin Process” as set out in section 4.6 of these Clearing Procedures, such de-registration request will be put on “pending” status in the Rates and FX Clearing System. The result will be communicated to the relevant ~~Approved Trade Registration System~~Accepted Medium for De-registration. The relevant Contracts will be flagged as “PEND_TRF/TRM/DCL” in the “OTC Clear Trade Report (Report Number TDRP03, TDRP04 or TDRP12)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C or TDRP12_C)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP03, TDRP04 or TDRP12)” and “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C or TDRP12_C)” are available to the Clearing Members on the Web Portal.

~~OTC Clear will reject any~~Any de-registration request that is submitted to OTC Clear between 18:00 hours Hong Kong time and 19:00 hours Hong Kong time on an OTC Clear Clearing Day and put on “pending” status in the Rates and FX Clearing System will be rejected by OTC Clear if it fails to satisfy the “Margin Process” as set out in section 4.6 of these Clearing Procedure by the commencement of the End-of-Day Settlement Process on the immediately following OTC Clearing Day. Otherwise, OTC Clear will reject any “pending” de-registration request which fails to satisfy the “Margin Process” as set out in section 4.6 of these Clearing Procedures by the commencement of the End-of-Day Settlement Process on the OTC Clear Clearing Day ~~immediately following the day~~ on which all conditions set out in section 3.6.1 have been satisfied. The result will be communicated to or via the relevant ~~Approved Trade Registration System~~Accepted Medium for De-registration and the relevant Contracts will remain registered with OTC Clear.

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 will be de-registered by OTC Clear. The result will be communicated to or via the relevant ~~Approved Trade Registration System~~Accepted Medium for De-registration. 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.

3.7 Accounts

Pursuant to Chapter 9 of the Clearing Rules, the following accounts may be opened for a Clearing Member on the 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 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 and 3.4.4.4.

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.

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