

OTC Clearing Hong Kong Limited Clearing Procedures

- 3.12 Cash Settlement Time
- 3.13 Interest received on Non-Cash Collateral
- 3.14 Maturity of Non-Cash Collateral
- 3.15 Tax
- 3.16 Reporting
- 3.17 Porting of Client Contracts and Collateral to a Transferee Clearing Member
- 3.18 Porting of Contracts and Collateral amongst Client Accounts of a Clearing Member
- 3.19 Notional Exchange Failure Handling Procedures

3.20 Mandatory Notional Exchange Risk Limit Reduction Procedures

Chapter 4 Margin and Valuation

- 4.1 Margin Requirement
- 4.2 Initial Margin
- 4.3 Variation Margin
- 4.4 Intra-day Variation Margin
- 4.5 Additional Margin
- 4.6 Margin Process
- 4.7 End-of-Day Valuation and Settlement Process

Chapter 5 Curve Construction

- 5.1 Curve Construction for Rates Derivatives Contracts
- 5.2 Curve Construction for FX Derivatives Contracts

Chapter 6 Rates and FX Guarantee Resources

- 6.1 Rates and FX Guarantee Resources
- 6.2 Excess Margin and CM Funded Contribution Amount
- 6.3 Stress Test
- 6.4 OTC Clear Contribution

Chapter 7 Collateral

- 7.1 Acceptable Collateral
- 7.2 Cash Collateral
- 7.3 Non-cash Collateral
- 7.4 Collateral Concentration Limit
- 7.5 Collateral Valuation
- 7.6 Treatment of Collateral

Chapter 1

Introduction to Clearing Procedures

1.1 Interpretation

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

1.2 Amendments

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

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

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

1.3 Operations of the Rates and FX Clearing Services

The "Margin Process" described in section 4.6 of these Clearing Procedures and related curve construction or calculations will be performed during 08:30 – ~~18:00~~19:00 hours Hong Kong time on each OTC Clear Clearing Day (the "**Margin Process Hours**").

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

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~~19:00 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 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 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 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 any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)” and “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” are available to the Clearing Members on the Web Portal. In addition, the Original Transaction submitted for registration will be flagged as “CLEARED” in such “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)”.

3.3.2 Creation of Contracts other than through Submission of Original Transactions by Clearing Members

- (i) Pursuant to Clearing Rule 813, Contracts may also be created by OTC Clear registering a Contract on its system. In doing so, OTC Clear may waive any required checks for assessing whether or not the applicable Eligibility Requirements have been satisfied; or
- (ii) Pursuant to Clearing Rule 825, Contracts may also be created by OTC Clear registering a Contract on its system in accordance with sections 3.17 and 3.18 of these Clearing Procedures.

3.4.2.11 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)

- (1) the same as the interval of the Calculation Period of the 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 if stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer; or
- (2) the same as the interval of the Calculation Period of the 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 other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of such Floating Rate Payer to which stub is applicable;

- (B)

- (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of such Floating Rate Payer if stub is inapplicable to any Calculation Period in respect of such Floating Rate Payer; or
- (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the initial Calculation Period or the final Calculation Period (as

the case may be) to which stub is applicable) in respect of such Floating Rate Payer;

- (C) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (D) three months if IMM Settlement Dates are applicable; and
- (b) the frequency of payment of each Fixed Amount (if applicable) being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:
- (A)
 - (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed 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 Standard Rates Derivatives Transaction or Original Standard Cross-currency 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;
 - (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (C) three months if IMM Settlement Dates are applicable;
- (ii) Original Non Deliverable Rates Derivatives Transaction

With regard to an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if:

- (a) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY or INR, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)
 - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
 - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by

the Clearing Members other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;

- (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (C) three months if IMM Settlement Dates are applicable;
- (b1) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
- (A)
 - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
 - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;
 - (B) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to the Floating Amount payable by the Floating Rate Payer; and
 - (C) three months only;
- (b2) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
- (A)
 - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
 - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;
 - (B)

- (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Rate Payer if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
 - (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the initial Calculation Period or the final Calculation Period (as the case may be) to which stub is applicable) in respect of the Floating Rate Payer; and
 - (C) three months only;
- (c) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in THB, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)
 - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
 - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the initial Calculation Period or the final Calculation Period (as the case may be) in respect of the Floating Rate Payer to which stub is applicable;
 - (B)
 - (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Rate Payer if stub is inapplicable to any Calculation Period in respect of the Floating Rate Payer; or
 - (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the initial Calculation Period or the final Calculation Period (as the case may be) to which stub is applicable) in respect of the Floating Rate Payer; and
 - (C) six months only;
- (d) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR, KRW, MYR or TWD, the frequency of payment of each Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)

- (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed 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;
- (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
- (C) three months if IMM Settlement Dates are applicable; and
- (e) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in THB, the frequency of payment of each Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)
 - (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed 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 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 such 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) 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.~~

3.4.2.13 Fixed Amount

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction to which Fixed Amount is applicable only if a Fixed Rate is specified and such rate is:

- (i) greater than or equal to zero;
- (ii) the same for each Calculation Period; and
- (iii) an integer or a number rounded up to seven or less decimal points.

For the avoidance of doubt, no amount should be specified as the Fixed Amount.

3.4.2.14 Floating Rate Option

OTC Clear will accept an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction for registration only if the Floating Rate Option elected for the Floating Amounts payable by the Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then each Floating Rate Payer) is:

- (i) consistent with Floating Rate Options as set out in section 3.4.2.1; and
- (ii) 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), the same for all the relevant Calculation Periods of the Floating Amounts payable by such Floating Rate Payer.

3.4.2.15 Reset Date

OTC Clear will accept an Original Transaction for registration only if:

- (i) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, any Reset Date is the first day of each Compounding Period;
- (ii) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in INR, any Reset Date is the last day of each relevant Calculation Period;
- (iii) with regard to an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, MYR, THB or TWD, any Reset Date is the first day of each relevant Calculation Period;

- (B) any additional financial center(s) (as set out in Appendix II to these Clearing Procedures) being elected by the Clearing Members with no limitation in number;
- (vii) with regard to any Calculation Period (save and except the initial Calculation Period) in respect of the Floating 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 CNY (offshore) or USD, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the determination of the rate for the Reset Date for such Calculation Period is consistent with that prescribed for in Article 7 of the ISDA Definitions;
- (viii) with regard to any Compounding Period (save and except the initial Compounding Period) in respect of the Floating Rate Payer of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, the determination of the rate for the Reset Date for such Compounding Period is consistent with that prescribed for in 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 two days, where each of these two days is such Original Transaction is submitted to OTC Clear for registration:~~

- (a) ~~a Currency Day for the Contractual Currency of that particular Original Standard Rates Derivatives Transaction prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day that falls at least two OTC Clear Clearing Days prior to a forthcoming Payment Date of any Additional Payment of that particular Original 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 after the Payment Date of any Additional Payment of that particular Original 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

3.4.2.28 Initial Exchange Date and Final Exchange Date

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

- (i) If Final Exchange Date is applicable, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if, prior to any adjustment being made to the Final Exchange Date in accordance with the applicable Business Day Convention, it is the same as the Termination Date.
- (ii) If Initial Exchange Date is applicable, OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if:
 - (a) prior to any adjustment being made to the Initial Exchange Date in accordance with the applicable Business Day Convention, it is the same as the Effective Date; and
 - (b) such Original Transaction is submitted to OTC Clear for registration:
 - (A) prior to ~~18:00~~19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding any forthcoming Initial Exchange Date of that particular Original Transaction; or
 - (B) after the Initial Exchange Date of that particular Original Transaction.

3.4.2.29 Currency Amount

This is applicable to an Original Standard Cross-currency Rates Derivatives Transaction only.

OTC Clear will accept an Original Standard Cross-currency Rates Derivatives Transaction for registration only if each Currency Amount in respect of a Fixed Rate Payer or Floating Rate Payer (or if a Fixed Rate Payer is not applicable to that particular Original Transaction, then each Floating Rate Payer) of that particular Original Transaction is:

- (i) greater than or equal to one unit of the relevant currency;
- (ii) an integer or a number rounded up to two or less decimal points; and
- (iii) the same for each Calculation Period during the term of that particular Original Transaction.

3.4.2.30 Floating Rate

OTC Clear will accept:

- (i) an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction for registration if:
 - (a) in respect of the initial Calculation Period of such Original Transaction:
 - (A) no Floating Rate has been designated by the Clearing Members for such Calculation Period; or
 - (B) the Floating Rate has been designated by the Clearing Members for such Calculation Period and such Floating Rate is any numerical value which is an integer or a number rounded up to seven or less decimal points; and
 - (b) in respect of any Calculation Period other than the initial Calculation Period of such Original Transaction, no Floating Rate has been designated by the Clearing Members for such Calculation Period;
- (ii) an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, MYR, THB or TWD for registration if:

3.4.4.2 Residual Term

In respect of an Original Deliverable FX Forward Transaction, the residual term of that particular Original Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction to (and including) the Settlement Date of that particular Original Transaction.

In respect of an Original Deliverable FX Swap Transaction, the residual term of that particular Original Transaction is the period from (but excluding) the date on which OTC Clear performs the product eligibility requirements checks (set out in this section 3.4) on that particular Original Transaction to (and including) the Settlement Date of the far leg of that particular Original Transaction.

OTC Clear will accept an Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction for registration only if the residual term of that particular Original Transaction is:

- (i) greater than or equal to one day where each such day is (a) a Currency Day for each Contractual Currency of that particular Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction, as the case may be, and (b) an OTC Clear Clearing Day; and
- (ii) less than or equal to the relevant maximum residual term as set out in section 3.4.4.1.

3.4.4.3 Forward Rate

OTC Clear will accept an Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction for registration regardless of whether any Forward Rate of that particular Original Transaction is specified or not.

For the avoidance of doubt, if Forward Rate is specified under the terms of an Original Deliverable FX Forward Transaction or Original Deliverable FX Swap Transaction:

- (i) OTC Clear will not maintain or record the Forward Rate within its Rates and FX Clearing System when registering such Original Transaction; and
- (ii) the Forward Rate will not form part of the Contract Terms of the Contracts created as a result of registration of such Original Transaction.

3.4.4.4 Settlement Date

- (i) with regard to an Original Deliverable FX Forward Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
 - (a) the Settlement Date of that particular Original Transaction follows the Trade Date of that particular Original Transaction by a minimum of two days, where each of those two days is a Currency Day for each Contractual Currency of that particular Original Deliverable FX Forward Transaction; and
 - (b) the Settlement Date specified in that particular Original Transaction is a Currency Day for each Contractual Currency of that particular Original Transaction;
- (ii) with regard to an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if:
 - (a) any Settlement Date specified in that particular Original Transaction that falls after the date on which such Original Transaction is submitted for registration is a Currency Day for each Contractual Currency of that particular Original Transaction; and

- (b) the Settlement Dates of the near leg and far leg of that particular Original Transaction are different; and
- (iii) with regard to both an Original Deliverable FX Forward Transaction and an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if such Original Transaction is submitted to OTC Clear for registration prior to ~~18:00~~19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding any forthcoming Settlement Date of that particular Original Transactions.

3.4.4.5 Notional Amount

- (i) with regard to an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if at least one payer of a Notional Amount in the near leg of that particular Original Transaction receives the same Notional Amount denominated in the same currency in the far leg of that particular Original Transaction; and
- (ii) with regard to both an Original Deliverable FX Forward Transaction and an Original Deliverable FX Swap Transaction, OTC Clear will accept that particular Original Transaction for registration only if each Notional Amount of such Original Transaction is:
 - (a) greater than or equal to one unit of the relevant currency; and
 - (b) an integer or a number rounded up to two or less decimal places.

3.4.4.6 Currency

This is applicable to an Original Deliverable FX Swap Transaction only.

OTC Clear will accept an Original Deliverable FX Swap Transaction for registration only if:

- (i) the payer of a particular currency in the near leg of such Original Transaction is the receiver of such currency in the far leg of such Original Transaction;
- (ii) the receiver of a particular currency in the near leg of such Original Transaction is the payer of such currency in the far leg of such Original Transaction; and
- (iii) such Original Transaction is denominated in the same Currency Pair (swap and FX) in both near leg and far leg of that particular Original Transaction.

3.4.4.7 Trade Date

OTC Clear will accept an Original FX Forward Transaction or Original Deliverable FX Swap Transaction for registration only if the Trade Date of such Original Transaction falls on or prior to the date on which such Original Transaction is submitted for registration.

3.4A Suspension of Product

OTC Clear may from time to time, in its sole discretion and with prior consultation with the SFC, suspend clearing of a product or class of products (a “**Product Suspension Event**”). In the event of the occurrence of a Product Suspension Event of a product, no Original Transactions in such product will be accepted for registration and instead they will be rejected. OTC Clear may also, with prior consultation with the SFC, require Clearing Members to unwind any Contracts in a product which is subject to a Product Suspension Event which were registered before the effective date of Product Suspension Event. If Clearing Members fail to do so, OTC Clear, at its sole discretion, will be entitled to

terminate any such Contracts, and all prevailing obligations of OTC Clear and the relevant Clearing Member in respect of such Contracts shall cease and be replaced with the obligation of OTC Clear or the relevant Clearing Member, as the case may be, to pay the close-out value determined in accordance with section 10.1(iv) of these Clearing Procedures. OTC Clear may, with prior consultation with the SFC, lift the suspension at any time.

Prior written notice of a Product Suspension Event or a resumption of clearing of a product previously subject to a Product Suspension Event shall be given to Clearing Members and the SFC. OTC Clear shall give notice to Clearing Members by means of a Clearing Notice.

3.5 Error Contract

Pursuant to Clearing Rule 814, in the event OTC Clear terminates an Error Contract, the relevant Clearing Members who were parties to the Error Contract being terminated will be notified through the “OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)” in respect of an Error Contract which has been registered in a House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” in respect of an Error Contract which has been registered in a Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)” and “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” are available to the Clearing Members on the Web Portal. The status of any terminated Error Contract will be indicated in the “OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)” or “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” as a rejected transaction. The status will be flagged as “DECLARED”, “TERMINATED” or “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) (a) the relevant Contract has not reached its scheduled Termination Date or Settlement Date, and has not been previously terminated; and (b)

~~(ii) the de-registration request is submitted by or on behalf of both parties to the Original Transaction corresponding to the Contract via 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; or-~~

~~(ii) (a) the relevant Contract has not reached its scheduled Termination Date or Settlement Date, and has not been previously terminated and (b) the de-registration request is made in respect of more than one Contract and is submitted by or on behalf of only one of the two parties to the Original Transaction via the relevant Approved Trade Registration System, the OASIS or email. OTC Clear will accept such de-registration request only if the request identifies Contracts that (1) are registered to the same Position Account of such Clearing Member, (2) have substantially the same but opposite Economic Terms that offset each other, and (3) are grouped with the same batch ID as indicated in the “OTC Clear Compression Report (Report Number COMP01 and COMP01 C)”. For the avoidance of doubt, de-registration of such Contracts will be processed on an all-or-nothing basis. The Margin Process referred to in section 4.6.5 of the Clearing Procedures must be satisfied with respect to the relevant Contracts being de-registered.~~

3.6.2 Process of De-registration

~~For de-registration requests which fulfil the conditions set out in section 3.6.1 (i), the following procedures shall apply:~~

~~(i) In respect of a de-registration request submitted to OTC Clear before 18:00-19:00 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.~~

~~(ii) 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.~~

~~In respect of de-registration requests which fulfil the conditions set out in section 3.6.1 (ii), the following procedures shall apply:~~

- (i) prior to submitting the de-registration request to OTC Clear, the Clearing Member shall identify and select the relevant Contracts for de-registration from the “OTC Clear Compression Report (Report Number COMP01 and COMP01_C)” published at or prior to 20:30 hours Hong Kong time on such OTC Clear Clearing Day available to the Clearing Members on the Web Portal;
- (ii) the Clearing Member shall submit a request for de-registration to OTC Clear before 10:30 hours Hong Kong time on an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than an OTC Clear Clearing Day or (b) after 10:30 hours Hong Kong time on such OTC Clear Clearing Day will be rejected;
- (iii) Clearing Members are able to check the status of the de-registration requests through the Web Portal. The relevant information will be updated in “OTC Clear Compression Report (Report Number COMP02 and COMP02_C)” available at the Web Portal by 13:30 hours Hong Kong time on each OTC Clear Clearing Day; and
- (iv) if such request is approved by OTC Clear, the de-registration request will be processed by OTC Clear on the same day.

If a de-registration request does not satisfy the conditions set out in section 3.6.1, or if it contains any invalid or incomplete trade data, such de-registration request will be rejected and will not go through the “Margin Process” as set out in section 4.6 of these Clearing Procedures. The result will be communicated to or via the relevant 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 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.

~~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 on which all conditions set out in section 3.6.1 have been satisfied. The result will be communicated to or via the relevant 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 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.

designated by the Clearing Members for the initial Calculation Period or initial Compounding Period, as the case may be, in respect of a Floating Rate Payer of a Contract, such Floating Rate is deemed to be the rate for the Reset Date for the initial Calculation Period or initial Compounding Period, as the case may be, in respect of the relevant Floating Rate Payer of such Contract.

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

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

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

If a holiday declaration affects a scheduled Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, an adjustment to the Payment Date and/or the amount of the settlement (if applicable) shall be made in accordance with the Contract Terms, provided that, in the event of a holiday declaration in respect of a particular day which would otherwise have been a Currency Day or a Business Day after ~~18:00~~19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day or Business Day on which a Payment Date and/or Period End Date is scheduled to fall, no adjustment shall be made to such Payment Date and/or Period End Date of any Contract unless such declaration or curtailment affects the financial center or the foreign exchange market of the Contractual Currency of that Contract.

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

If a holiday declaration affects a scheduled Initial Exchange Date (if applicable), a Final Exchange Date (if applicable), a Payment Date and/or a Period End Date (if applicable) of the relevant Calculation Period of a Contract, an adjustment to the Initial Exchange Date (if applicable), the Final Exchange Date (if applicable), the Payment Date and/or the amount of the settlement (if applicable) shall be made in accordance with the Contract Terms, provided that, in the event of a holiday declaration in respect of a particular day which would otherwise have been a Currency Day or a Business Day after ~~18:00~~19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day or Business Day on which an Initial Exchange Date (if applicable), a Final Exchange Date (if applicable), a Payment Date and/or Period End Date (if applicable) is scheduled to fall, no adjustment shall be made to such Initial Exchange Date, Final Exchange Date, Payment Date and/or Period End Date of any Contract unless such declaration or curtailment affects the financial center or the foreign exchange market of any one of the Contractual Currencies of that Contract.

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

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

3.8.1.1.5 Calculation of the Settlement Currency Amount for a Non Deliverable Rates Derivatives Contract

The methodology stipulated in Section 2.2(b)(ii) of the FX Definitions for calculation of the Settlement Currency Amount for a Non Deliverable Rates Derivatives Contract shall be deemed to be replaced by the methodology stipulated in the ND IRS Template under the section entitled “Settlement Currency Amount”.

3.8.1.1.6 Disruption Event and Disruption Fallback

In respect of a Standard Rates Derivatives Contract or a Standard Cross-currency Rates Derivatives Contract which is denominated in CNY (offshore), in the event of the occurrence of a Disruption Event, the CNY (offshore) Disruption Provisions shall apply.

In respect of a Non Deliverable Rates Derivatives Contract, in the event of the occurrence of a Disruption Event, the relevant Disruption Fallback provisions stipulated in the ND IRS Template shall apply.

3.8.1.2 Settlement Amount for a Non Deliverable FX Derivatives Contract

3.8.1.2.1 Calculation of the Settlement Currency Amount

Calculation of the Settlement Currency Amount is based on the methodologies stipulated in Article 2 of the FX Definitions and the Economic Terms specified in the relevant Contract.

3.8.1.2.2 Determination of the Settlement Rate

The Settlement Rate, including the source and the time at which such source is obtained from the relevant provider, is determined in accordance with the FX Definitions and the EMTA Template.

3.8.1.2.3 Adjustment to the Valuation Date and the Settlement Date

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

If a holiday declaration affects a scheduled Valuation Date and/or Settlement Date of a Contract, an adjustment will be made in accordance with the Contract Terms and the EMTA Template which is applicable to the relevant Currency Pair, even if such holiday declaration in respect of a particular day which would otherwise have been a Currency Day occurs after ~~18:00~~19:00 hours Hong Kong time on the OTC Clear Clearing Day immediately preceding such Currency Day on which a Valuation Date or Settlement Date is scheduled to fall.

Any update in the Settlement Date and/or the Settlement Currency Amount is reflected in the “OTC Clear Settlement Report (Report Number STRP05)” in respect of any payment relevant to a House Position Account or “OTC Clear Settlement Report for Client (Report Number STRP05_C)” in respect of any payment relevant to a Client Position Account. Both “OTC Clear Settlement Report (Report Number STRP05)” and “OTC Clear Settlement Report for Client (Report Number STRP05_C)” will be made available to the Clearing Members on the Web Portal.

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

“OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01_C)” shall be conclusive and binding, and shall be settled on the relevant “Value Date” as stipulated in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01_C)” in accordance with section 3.12.

3.8.2.1 Fees

Types of fees which are applicable to a Clearing Member will be notified by OTC Clear to its Clearing Members from time to time and include, but are not limited to, the following:

- (i) annual fees, which are fees payable by each Clearing Member on an annual basis for the use of Rates and FX Clearing Services;
- (ii) registration fees, which are fees payable by each Clearing Member for registration of a Contract in its House Position Account or Client Position Account (if Client Clearing Services are provided by such Clearing Member). For the avoidance of doubt, registration fees relevant to a Contract are incurred at the time when such Contract is registered in the relevant Position Account;
- (iii) maintenance fees, which are fees payable by each Clearing Member on a monthly basis in respect of each Contract registered in its House Position Account or its Client Position Account (if Client Clearing Services are provided by such Clearing Member) until its maturity. For the avoidance of doubt, maintenance fees are incurred on a monthly basis to a Contract which remains registered in the relevant Position Account on the last OTC Clear Clearing Day in each calendar month;
- (iv) de-registration fees, which are fees payable by each Clearing Member in respect of each Contract previously registered in its name that has been de-registered in its House Position Account or its Client Position Account (if Client Clearing Services are provided by such Clearing Member). For the avoidance of doubt, de-registration fees in respect of a Contract are incurred at the time when such Contract is de-registered from the relevant Position Account;
- (v) costs of conducting an investigation or audit on a Clearing Member. Unless otherwise agreed by OTC Clear, such amounts should be borne by that Clearing Member;
- (vi) fees for resuming user access or resetting password for access to the Web Portal, which are fees payable by a Clearing Member who requests to have its designated password to be reset or retrieved by OTC Clear for the purpose of accessing the Web Portal. For the avoidance of doubt, the designated password for accessing the Web Portal will be provided by OTC Clear for free for first-time log-on. Such fees will be charged during the month of submission of the request for such reset or retrieval of password;
- (vii) fees for retrieval of reports subsequent to the same being removed from the Web Portal in accordance with section 3.16; and/or fees for delivery of print-out reports as requested by any Clearing Member. For the list of reports available on the Web Portal, please refer to the “**Report Usage Guide**” (which is a user manual detailing the specification of each report published by OTC Clear, the guidance for interpreting the contents therein, and the frequency of publication of each such report). Such fees will be charged during the month of submission of the request for such retrieval of reports or delivery of print-out reports;
- (viii) fees for processing each request for porting of Contracts from a Transferor Clearing Member’s Client Position Account to a Transferee Clearing Member’s Client Position Account. For the

avoidance of doubt, such fees are payable by the Transferee Clearing Member irrespective of whether each request results in successful porting;

- (ix) fees for processing each request for porting of Contracts between Client Position Accounts of the same Clearing Member. For the avoidance of doubt, such fees are payable by a Clearing Member irrespective of whether each request results in successful porting;
- (x) fees for processing each request for deposit, porting or withdrawal of non-cash Collateral by a Clearing Member. For the avoidance of doubt, such fees are payable by such Clearing Member irrespective of whether each request is successful; and
- (xi) accommodation charges, administrative fees and/or commitment fees for credit lines in respect of any non-cash Collateral delivered by a Clearing Member for purposes of satisfying its Initial Margin requirements and/or its Additional Margin requirements in respect of its House Position Account and/or its Client Position Account (if Client Clearing Services are provided by such Clearing Member).

Fees itemised in this section 3.8.2.1 are stipulated in the Fees Schedule (see Appendix I to these Clearing Procedures). OTC Clear shall be entitled to make any changes to the Fees Schedule **and**, in addition, OTC Clear reserves the right to **waive any fee or to** charge any additional fee prescribed by it from time to time **by notifying such waiver or additional fee to Clearing Members via Clearing Notice**.

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

3.8.2.2 Interest to be Paid / Received by Clearing Members in respect of Collateral Delivered to OTC Clear

Please refer to Chapter 7 of these Clearing Procedures for details.

3.9 Procedures for Voluntary Deposit of Cash Collateral, porting of Cash Collateral representing Excess Margin and Withdrawal of Cash Collateral representing Excess Margin and Rates and FX Contribution Excess

This section 3.9 sets out the arrangement for any voluntary withdrawal, porting or deposit of cash Collateral by a Clearing Member. The arrangement for satisfying a Margin demand by a Clearing Member is governed by Chapter 4 and, in particular, section 4.7 of these Clearing Procedures. In respect of any cash settlement as a result of voluntary withdrawal or deposit of cash Collateral for satisfaction of Margin requirements or Rates and FX Liability, such cash settlement must be made via RTGS system as further described in section 3.11.1.

3.9.1 Procedure for Voluntary Withdrawal of Cash Collateral representing Excess Margin 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. Any request which is submitted (a) on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day or (b) 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 ~~18:00~~19:00 hours Hong Kong time on each OTC Clear Business Day.

3.9.2 Procedure for Voluntary Deposit of Cash Collateral

The following procedures apply to voluntary deposit of cash Collateral by a Clearing Member in respect of its Margin requirements and its Rates and FX Liability:

- (i) the Clearing Member shall input a request for deposit via the collateral management window of the Web Portal before ~~16:00~~17:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Clearing Day or (b) after ~~16:00~~17:00 hours Hong Kong time on such day will be rejected;
- (ii) the amount of deposit will be settled by the cash settlement method described in section 3.11.1;
- (iii) the Clearing Member should ensure that the amount of deposit can be credited to OTC Clear by ~~17:00~~17:15 hours Hong Kong time on the day such request is submitted. Otherwise such request will be deemed to be rejected by OTC Clear; and
- (iv) upon receipt of confirmation by OTC Clear from its settlement bank that the amount of deposit has been credited to OTC Clear, it will be reflected in the cash balance of the House Collateral Account, Client Collateral Account or the GF Account, as the case may be, relating to the Clearing Member.

For the avoidance of doubt, any request for deposit of cash Collateral which is designated with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear.

Clearing Members are able to monitor the progress of their deposit requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by ~~18:00~~19:00 hours Hong Kong time on each OTC Clear Clearing 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. 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 ~~18:00~~19:00 hours Hong Kong time on each OTC Clear Business Day.

- (vi) if such withdrawal request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal.

3.10.3 Procedures for Voluntary Deposit of Non-Cash Collateral

The following procedures apply to voluntary deposit of non-cash Collateral by a Clearing Member to satisfy the Margin requirements relating to its House Position Account and Client Position Account(s):

- (i) prior to requesting deposit of any security as non-cash Collateral, the Clearing Member should ensure that any Collateral Concentration Limits imposed on it would not be exceeded upon the acceptance of such security as Collateral;
- (ii) if the ISIN code of such security stipulated in section 3.10.1 is not currently listed in the collateral management window of the Web Portal, prior to submitting a deposit request via the collateral management window of the Web Portal, the Clearing Member must give OTC Clear nine OTC Clear Business Days advance notice of the security that it wishes to deposit, providing OTC Clear with the ISIN code of the relevant security, subsequent to such notice, OTC Clear will list the ISIN code of such security in the collateral management window of the Web Portal;
- (iii) the Clearing Member shall input a deposit request via the collateral management window of the Web Portal before ~~16:00~~17:00 hours Hong Kong time on an OTC Clear Clearing Day. Such deposit request must specify: (a) the ISIN code of each relevant security that it is seeking to deposit as Collateral, (b) the notional amount of each such security that it is seeking to deposit as Collateral and (c) the value date for settlement;
- (iv) in addition, each deposit request must comply with the following parameters:

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

Type of security to be deposited as non-cash Collateral	Value Date for Settlement to be specified in each deposit request	Minimum deposit amount
Finance of the People's Republic of China denominated in CNY(offshore)	Business Day and a Beijing Business Day) following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security. Where, " Beijing Business Day " means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.	500,000 and integral multiples of CNY (offshore) 500,000 in excess thereof

- (v) a deposit request which seeks to request the deposit of a security whose ISIN code is not currently listed as eligible Collateral in the collateral management window of the Web Portal will be rejected;
- (vi) a deposit request which if processed would result in the Clearing Member breaching a Concentration Limit imposed on it will be rejected;
- (vii) a deposit request which does not comply with the above parameters or which is submitted after ~~16:00~~17:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected and must be re-submitted on the next OTC Clear Clearing Day with the necessary amendments;
- (viii) if such deposit request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal; and
- (ix) upon confirmation from CMU that the relevant securities have been received in OTC Clear's relevant account(s), OTC Clear will update the Margin Balance of the Clearing Member's House Collateral Account or Client Collateral Account(s), as the case may be, provided that, if CMU notifies OTC Clear that the relevant securities have been received in OTC Clear's relevant account(s) after 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will only update the Margin Balance of the Clearing Member's House Collateral Account or Client Collateral Account(s), as the case may be, at 11:00 hours Hong Kong time on the next OTC Clear Clearing Day. For the avoidance of doubt, the Clearing Member will continue to be responsible for complying with any Margin calls until the Margin Balance of the relevant Collateral Account has been updated, regardless of the value date on which such securities are delivered.

3.10.4 Procedures for Porting of Non-Cash Collateral representing Excess Margin

The following procedures apply to porting of non-cash Collateral by a Clearing Member representing Excess Margin in its House Collateral Account to any of its Client Collateral Accounts. For the avoidance of doubt, 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

Clear's records of such Client's holdings in the relevant Transferor Clearing Member's relevant Client Position Account;

- (iv) since Collateral cannot be ported concurrently with the relevant Contracts, the Transferee Clearing Member must ensure that there is sufficient Collateral comprising the Margin Balance of the relevant Client Collateral Account prior to the submission of the porting request;
- (v) no DMP Event has occurred with respect to the Transferee Clearing Member and the relevant Transferor Clearing Member;
- (vi) the relevant Transferor Clearing Member has consented to the porting; and
- (vii) the Transferee Clearing Member's standard settlement instruction for each relevant Contractual Currency of the Contracts being ported is in place.

3.17.4 No porting of Collateral in a partial portfolio porting

Please note that OTC Clear is unable to facilitate any porting of Collateral together with the corresponding Contracts as part of the partial portfolio porting process. The Transferee Clearing Member must therefore ensure that there is sufficient Collateral comprising the Margin Balance of the relevant Client Collateral Account prior to the submission of the porting request, otherwise porting will fail.

3.17.5 Consent from Transferor Clearing Member

Upon receipt of a porting request from a Transferee Clearing Member on a particular day, OTC Clear will, no later than ~~18:00~~19:00 hours Hong Kong time on such day notify the relevant Transferor Clearing Member and request that the Transferor Clearing Member complete and return an original signed Transferor Clearing Member reply form* no later than 09:00 hours Hong Kong time two (2) OTC Clear Business Days after receipt of such porting request, indicating either:

- (i) its consent to such porting request; or
- (ii) its objection to such porting request, together with its reasons for such objection.

For the avoidance of doubt, OTC Clear is not in a position to adjudicate on the merits of a Transferor Clearing Member's objection or override a Transferor Clearing Member's objection in favour of its Client. In the event that the Transferor Clearing Member objects to such porting request or fails to submit the original signed Transferor Clearing Member reply form within the deadline specified in the foregoing, OTC Clear will reject such porting request and the Transferee Clearing Member must re-submit a fresh request.

3.17.6 Timing

A porting request satisfying, in the opinion of OTC Clear, the requirements set out in sections 3.17.1 or 3.17.3 above, as applicable, and the conditions set out in the Clearing Rules which is received by OTC Clear by 13:00 hours Hong Kong time on an OTC Clear Business Day will be processed by OTC Clear and OTC Clear will use its reasonable endeavours to complete such porting request by ~~19:30~~20:30 hours Hong Kong time on the third OTC Clear Business Day following the date of receipt of such request. Porting requests received by OTC Clear on a day which is not an OTC Clear Business Day or after 13:00 hours Hong Kong time on an OTC Clear Business Day, will be deemed to be received on

* Available on request from OTC Clear

3.20 Mandatory Notional Exchange Risk Limit Reduction Procedures

3.20.1 Additional Margin

If a Clearing Member exceeds any of its Notional Exchange Risk Limits, OTC Clear may demand that the relevant exceeding Clearing Member post Additional Margin in cash, in such amounts and in such specific settlement currency(ies) within such specified times as OTC Clear may in its sole and absolute discretion determine.

3.20.2 Selective Transaction Matching Process

If the relevant exceeding Clearing Member fails to comply with such demand by the time specified by OTC Clear, OTC Clear shall create a notional portfolio of transactions between OTC Clear and the relevant exceeding Clearing Member designed to reduce the relevant exceeding Clearing Member's settlement risk below its relevant Notional Exchange Risk Limit(s). OTC Clear shall, in the first instance, attempt to match each transaction in such notional portfolio with any other Clearing Member(s) with settlement obligations in the same currency as the settlement obligation of the relevant exceeding Clearing Member under that notional transaction, on terms determined by OTC Clear in a commercially reasonable manner. If each relevant exceeding Clearing Member and each such matched Clearing Member consents to such terms and agrees to enter into Standard Cross-currency Rates Derivatives Contract and/or Deliverable FX Derivatives Contracts corresponding to such notional transactions, OTC Clear shall create and register the relevant risk reducing Contracts with each relevant Clearing Member (such that the economic terms for OTC Clear in respect of each such Contract with the relevant exceeding Clearing Member are the same as the economic terms for the relevant matched Clearing Member under the corresponding Contract).

3.20.3 Quotation Process

If, following the process described in above, a Notional Exchange Risk Limit exceedance is still continuing, OTC Clear shall, in good faith, assist the relevant exceeding Clearing Member to obtain firm quotations in respect of such notional portfolio or part thereof from other Clearing Members who are active dealers in the obligations of the type for which quotations are being obtained. The quotation process shall be conducted in strict confidence. OTC Clear will not disclose the identity of the relevant exceeding Clearing Member. OTC Clear will also not disclose to any Clearing Member providing a quote the identity and quotations submitted by the other Clearing Members.

Upon completion of the quotation process, OTC Clear shall present the highest firm quotations received to the relevant exceeding Clearing Member. If the relevant exceeding Clearing Member agrees to enter into Contracts corresponding to the transactions comprised in such notional portfolio in respect of which quotations are received, and on the terms of such quotations, OTC Clear shall then create and register such Contracts in the names of the relevant exceeding Clearing Member and the relevant Clearing Members that provided the relevant quotations (such that the economic terms for OTC Clear in respect of each such Contract with the relevant exceeding Clearing Member are the same as the economic terms for the relevant Clearing Member under the corresponding Contract).

The quotation process shall be run separately and independently for each relevant exceeding Clearing Member and may be repeated by OTC Clear at its sole and absolute discretion as many times as is necessary in respect of a notional portfolio until all transactions in such portfolio have been successfully taken up, provided that, for the avoidance of doubt, OTC Clear shall not be precluded from taking any other action available to it under the Clearing Rules at any time.

3.20.4 No Liability

Each relevant Clearing Member acknowledges that:

- (i) OTC Clear is carrying out the procedures referred to in this section 3.20 to ensure the on-going integrity of the Rates and FX Clearing Service in the interests of OTC Clear, the other Clearing Members who have not exceeded their Notional Exchange Risk Limits and the investing public; and
- (ii) in respect of any actions carried out by OTC Clear and the Clearing Members in respect of the procedures referred to in this section 3.20, provided that the relevant party has acted in good faith, it shall not have any liability including but not limited to any civil liability, whether arising in contract, tort, defamation, equity or otherwise for any Damage suffered or incurred directly or indirectly by a Clearing Member or any other Person as a result of or in connection with any of its such actions or decisions.

Chapter 4

Margin and Valuation

4.1 Margin Requirement

A Clearing Member must at all times satisfy its Margin requirements calculated by OTC Clear in respect of all Contracts registered in its name. The Margin requirements in respect of Contracts recorded to a Clearing Member's House Position Account may be netted against each other, and the Margin requirement in respect of Contracts recorded to a Clearing Member's Client Position Account may be netted against each other, but not against Contracts recorded to such Clearing Member's House Position Account or other Client Position Account(s).

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

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

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

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

- (c) Ad Hoc Intra-day VM Call (see section 4.4.3) – which may be made by OTC Clear at anytime on an OTC Clear Clearing Day if it determines that the then market conditions warrant an Ad Hoc Intra-day VM Call. The imposition of an Ad Hoc Intra-day VM Call, if applicable, will apply to each Clearing Member with respect to each Contract then registered in its name (including both House Position Account and Client Position Account, if any). With respect to each such Contract, Ad Hoc Intra-day VM Call will be determined and presented in the Contractual Currency of the relevant Contract, and the Clearing Member shall satisfy the Ad Hoc Intra-day VM Call in cash in any Eligible Currency and non-cash assets eligible as Collateral.
- (iii) Additional Margin
- (a) Holiday Margin (see section 4.5.1) – OTC Clear may impose Holiday Margin in the circumstances described in section 4.5.1. Holiday Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Holiday Margin requirements either in cash in any Eligible Currency or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures;
 - (b) Others (see section 4.5.2) – OTC Clear may also impose additional Margin in the circumstances described in section 4.5.2. Each of Holiday Margin, Notional Exchange Failure Margin and any additional Margin imposed by OTC Clear in the circumstances described in section 4.5.2 shall be “**Additional Margin**”. Additional Margin will be determined and presented in the Base Currency, and a Clearing Member may satisfy its Additional Margin requirements either in cash in any Eligible Currency (provided that if a specific Eligible Currency is demanded by OTC Clear, the relevant Additional Margin requirement may only be satisfied in that Eligible Currency) or any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures. OTC Clear may demand Additional Margin on each OTC Clear Clearing Day: at 08:30 hours Hong Kong time, at 14:15 hours Hong Kong time and at any other time determined by OTC Clear between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time; and
 - (c) Notional Exchange Failure Margin (see section 4.5.3) – OTC Clear may also demand Notional Exchange Failure Margin in the circumstances described in section 4.5.3.

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

latest market prices utilised in such calculations will be published on the Web Portal on each OTC Clear Clearing Day.

4.3.2 Price Alignment Interest

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

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

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

where,

- (i) $NPV_{T_{-1}}$ is the net present value determined as at ~~18:00~~19:00 hours Hong Kong time on T_{-1} or such other time on T_{-1} as OTC Clear considers appropriate and notifies to the Clearing Members from time to time, where “**T₀**” is an OTC Clear Business Day and “**T₋₁**” is the OTC Clear Business Day immediately preceding T_0 ;
- (ii) PAI Rate means the annual percentage rate is determined by OTC Clear by reference to the relevant end-of-day overnight index swap (“**OIS**”) curves calculated on T_{PAI} , where “**T_{PAI}**” is the Currency Day (for the relevant Contractual Currency) immediately preceding T_0 if the relevant OIS curves are available on such day (T_{-1}), or if the relevant OIS curves are not available on T_{-1} , the last relevant OIS curves available (for the avoidance of doubt, if T_{PAI} falls on a day other than a Currency Day, the relevant OIS curves the nearest immediately preceding Currency Day will be used); and
- (iii) Accrual Factor means the day count fraction that is used by OTC Clear to convert the PAI Rate from an annual rate to a daily rate, on a basis of a year with a number of days equal to:
 - (a) 360 calendar days; or
 - (b) 365 calendar days,

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

PAI will be notified to each Clearing Member and will be paid or received by such Clearing Member, as the case may be, as part of its Variation Margin requirement.

4.4 Intra-day Variation Margin

4.4.1 Intra-day Variation Margin Call and Calculation

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

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

consult with any Representative of OTC Clear designated by the OTC Clear Board from time to time for purposes of the applicable consultation.

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

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

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

4.4.4 Settlement of Intra-day Variation Margin

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

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

4.5 Additional Margin

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

4.5.1 Holiday Margin

One such Additional Margin requirement is the temporary Margin adjustment on each Position Account to cover potential market volatility during days which are not OTC Clear Business Days ("**Holiday Margin**"). Such potential market volatility refers to the additional market risk that OTC Clear may have to bear arising from significant overseas market movements during such days. The calculation of Holiday Margin is based on an internally-built exponentially weighted moving average model with reference to the number of days in the relevant period. Details of the Holiday Margin levels will be notified to Clearing Members prior to the beginning of the relevant period. For example, if Monday is not an OTC Clear Business Day, Clearing Members will be notified of the level of Holiday Margin ~~by 21:30 hours Hong Kong time~~ on the second OTC Clear Business Day preceding such Monday (i.e. the immediately preceding Thursday). The relevant Holiday Margin call will be made by OTC Clear at 08:30 hours Hong Kong time on the OTC Clear Business Day preceding such Monday

(i.e. the immediately preceding Friday), and Clearing Members shall satisfy in full the Holiday Margin by 09:30 hours Hong Kong time on the same day.

4.5.2 Others

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

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

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

4.5.3 Notional Exchange Failure Margin

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

4.6 Margin Process

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

4.6.1.3 Notional Exchange Risk Limit

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

4.6.2 Margin and Credit Check – Real-Time Novation Process

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

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

Once the Margin requirement in respect of such Original Transaction and the relevant Position Account(s) is determined, OTC Clear will perform the Position Limits check and check if the Margin Balance in respect of the relevant Position Account(s) is sufficient to cover the Margin requirement.

If OTC Clear is satisfied that the Margin Balance in respect of the relevant Position Account(s) is sufficient to cover the Margin requirement in respect of each Contract to be created upon registration of such Original Transaction, and provided that the Position Limits of each relevant Position Account(s) would not be breached as a result of the registration of such Original Transaction, OTC Clear will accept for registration such Original Transaction and two Contracts will be created pursuant to Clearing Rule 806.

In respect of each Original Transaction, if OTC Clear determines that either the Margin requirement in respect of each Contract to be created upon registration of such Original Transaction is not satisfied, or the Position Limits of the relevant Position Account(s) would be breached, in each case, as a result of the registration of such Original Transaction, such Original Transaction will be put on “pending” status in the Rates and FX Clearing System. “Pending” Original Transactions that are not accepted for registration during a Real-Time Novation process may be accepted for registration later during a Portfolio Novation Cycle as set out in section 4.6.3 or at a later Real-Time Novation until it is rejected by OTC Clear pursuant to section 3.3 of these Clearing Procedures.

- (a) (in the case where not all the Contracts recorded in the same Position Account are to be ported) there is sufficient Margin Balance in the corresponding Collateral Account to satisfy the Margin requirement relating to Contracts remaining in such Position Account;
- (b) in respect of the Position Account to which the relevant Contract is recorded, subsequent to the porting of such Contract, there is or will be sufficient Margin Balance in the corresponding Collateral Account to satisfy the revised Margin requirement relating to such Position Account; and
- (c) the Position Limits of the relevant Position Accounts of the Clearing Member, Transferor Clearing Member, the Transferee Clearing Member and/or the Replacement Clearing Member as applicable would not be breached.

4.7 End-of-Day Valuation and Settlement Process

The end-of-day pricing and market data cut-off time is 16:00 hours Hong Kong time on each OTC Clear Clearing Day (the “**End-of-Day Cut Off Time**”). OTC Clear will use the market price at such time to determine the risk exposure and the Margin requirements in respect of each Position Account (together, the “**End-of-Day Margin Requirements**”) in its end-of-day valuation and settlement process, which commences at ~~18~~**19**:00 hours Hong Kong time on each OTC Clear Clearing Day (the “**End-of-Day Settlement Process**”). The End-of-Day Settlement Process of an OTC Clear Clearing Day will end when the end-of-day Margin reports are made available to Clearing Members ~~at or prior to 21:30 hours Hong Kong time~~ on such OTC Clear Clearing Day pursuant to section 4.7.1.

The End-of-Day Settlement Process will capture the incremental risk exposure for a Clearing Member on any given OTC Clear Clearing Day. OTC Clear performs its regular Variation Margin calculation during the End-of-Day Settlement Process, and any Variation Margin gains determined in favour of a Clearing Member resulting from the market price movements of a Contract on such day will be redelivered to the relevant Clearing Member through the End-of-Day Settlement Process. If an OTC Clear Clearing Day is not a Currency Day for the Contractual Currency in which the Variation Margin is denominated, then OTC Clear will not make, or demand, a Variation Margin payment in respect of such Contract during the End-of-Day Settlement Process on such OTC Clear Clearing Day. The relevant Variation Margin will be made, or demanded, by OTC Clear on the immediately following Currency Day for the relevant Contractual Currency. For the avoidance of doubt, whilst any Variation Margin gains as a result of market price movements will be redelivered to a Clearing Member through the End-of-Day Settlement Process, any Collateral constituting the Excess Margin will only be redelivered to a Clearing Member upon its request pursuant to Clearing Rule 1218.

4.7.1 Margin Reporting

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

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

The End-of-Day Margin Requirements as shown in such Margin reports reflect the risk exposure of each relevant Contract on the Rates and FX Clearing System at a cut-off time of ~~18~~**19**:00 hours Hong Kong time on an OTC Clear Clearing Day. The final Margin reports would be made available to each Clearing Member ~~by 21:30 hours Hong Kong time~~ on each OTC Clear Clearing Day.

4.7.2 Settlement of Margin Requirements

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

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
End-of-day Initial Margin	At 08:30 hours Hong Kong time on an OTC Clear Clearing Day via Margin call issued on the Web Portal	09:30 hours Hong Kong time on the OTC Clear Clearing Day on which the Margin call is made	Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Ad hoc intra-day Initial Margin	At any time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear on an OTC Clear Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency and any non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
End-of-day Variation Margin	At 21:30 hours Hong Kong time on an OTC Clear Clearing Day by publication in the OTC Clear Settlement Report (Report Number STRP01) or "OTC Clear Settlement Report for Client ((Report Number STRP01_C)"	11:00 hours Hong Kong time on the OTC Clear Clearing Day immediately following the publication of the end-of-day Margin report, provided that such day is a Currency Day for the currency in which the end-of-day Variation Margin is denominated	Cash only in the Contractual Currency of the relevant Contract
Routine Intra-day VM Call	At the Routine VM Call Time on an OTC Clear Business Day via Margin call on the Web Portal	Within an hour following the Routine Intra-day VM Call	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Ad Hoc Intra-day	At any time	Within an hour	Cash in any Eligible

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

Margin requirements	Demand made by OTC Clear	Latest time in which Margin requirements shall be satisfied	Form of Collateral
VM Call	determined by OTC Clear on an OTC Clear Clearing Day via Margin call on the Web Portal	following demand made by OTC Clear	Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Holiday Margin	At 08:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period via Margin call on the Web Portal	By 09:30 hours Hong Kong time on the OTC Clear Business Day immediately preceding the start of a holiday period	Cash in any Eligible Currency and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures
Notional Exchange Failure Margin	At any time determined by OTC Clear on an OTC Clear Business Day via Margin call on the Web Portal or Email	Within 90 minutes following demand made by OTC Clear	Cash only in the specified Eligible Currency required by OTC Clear
Other Additional Margin	Up to three times on each OTC Clear Clearing Day: At (1) 08:30 hours Hong Kong time; (2) 14:15 hours Hong Kong time and (3) at any other time between 08:30 hours Hong Kong time and 15:00 hours Hong Kong time determined by OTC Clear, in each case, on an OTC Clear Clearing Day via Margin call on the Web Portal	Within an hour following demand made by OTC Clear	Cash in any Eligible Currency (<u>provided that if a specific Eligible Currency is requested by OTC Clear, the relevant Additional Margin requirement may only be satisfied in that Eligible Currency</u>) and non-cash assets specified pursuant to section 7.3 of these Clearing Procedures

As provided for under section 4.1, in respect of any Margin requirements determined and presented in the Base Currency that may be satisfied by a Clearing Member in an Eligible Currency other than the Base Currency, the relevant exchange rate will be determined by OTC Clear using third party data sources. The relevant exchange rate will be notified to the Clearing Members.

4.7.3 ~~No Compression or Offsets~~

~~Original Transactions with the same terms and conditions, as defined by the Eligibility Requirements, are economically equivalent within OTC Clear. However, notwithstanding the foregoing, even where a Clearing Member has Contracts registered to a Position Account which have substantially the same but opposite Economic Terms to other Contracts in the same Position Account, such Contracts shall not be compressed or offset one against one another. All Contracts registered to a Position Account shall remain in full force and effect, and shall continue to be binding upon Clearing Members, until terminated, novated, or de-registered pursuant to the Clearing Rules.~~

Chapter 6

Rates and FX Guarantee Resources

6.1 Rates and FX Guarantee Resources

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

6.1.1 Rates and FX Guarantee Fund

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

- (i) HK\$ 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 ⁽²⁾	Margin Balance ⁽³⁾ of Clearing Member	Expected Uncollateralized Loss ⁽⁴⁾	Relative pro-rata percentage share ⁽⁵⁾	Daily GF Value ⁽⁶⁾	Daily GF Value with Reserve ⁽⁷⁾
A	1,000	550	450	25.00%	125.00	137.50
B	300	100	200	11.11%	55.56	61.11
C	500	250	250	13.89%	69.44	76.39
D	800	300	500	27.78%	138.89	152.78
E	600	400	200	11.11%	55.56	61.11
F	400	200	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 engage 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 (2), (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.

(2) 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**".

(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. 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 less (B) the Margin Balance (excluding 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) 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 engage in Client Clearing Services, the “**Expected Uncollateralized Loss**” for each such Clearing Member is the Position Account EUL relating to its House Position Account.

(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:

- (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.

Clearing Member	Daily GF Value with Reserve	Proportionate Share of the Rates and FX Assessments
A	137.50	275.00
B	61.11	122.22
C	76.39	152.78
D	152.78	305.56
E	61.11	122.22
F	61.11	122.22
Total	550	1,100

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

6.2 Excess Margin and CM Funded Contribution Amount

Pursuant to section 6.1.1(4), with respect to each Clearing Member, its Margin Balance (excluding 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) will be used to determine its Position Account EUL and its relative pro rata percentage share and hence any Excess Margin provided by such Clearing Member 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 (2) above, the House Position Account of Clearing Member A gives the highest Position Account STV, and assuming further that Clearing Member A now has Excess Margin of 150 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 550 to 700.

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	Margin Balance* of Clearing Member	Expected Uncollateralized Loss	Relative pro-rata percentage share	Daily GF value	Daily GF Value with Reserve
A	1,000	550 → 700	300	18.18%	90.91	100.00
B	300	100	200	12.12%	60.61	66.67
C	500	250	250	15.15%	75.76	83.33
D	800	300	500	30.30%	151.52	166.67
E	600	400	200	12.12%	60.61	66.67
F	400	200	200	12.12%	60.61	66.67
Total			1,650	100%	500	550

* 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.

Appendix I Fees Schedule

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

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

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

(b) Standard Cross-currency Rates Derivatives Contract

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

(c) Non Deliverable FX Derivatives Contract

Tariff	Annual Fee	Registration Fee
Tariff A	HK\$ 5 million	In case of backloading, HK\$ 3.9 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 7.8 per each million notional amount (in USD) for registration of a Contract*.
Tariff B	HK\$ 1 million	In case of backloading, HK\$ 11.7 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 23.4 per each million notional amount (in USD) for registration of a Contract*.
Tariff C	Nil	In case of backloading, HK\$ 23.4 per each million notional amount (in USD) for registration of a Contract. Otherwise HK\$ 46.8 per each million notional amount (in USD) for registration of a Contract*.

(d) Deliverable FX Derivatives Contract

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

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

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

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

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

(b) Standard Cross-currency Rates Derivatives Contract

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

(c) Non Deliverable FX Derivatives Contract

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

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

(d) Deliverable FX Derivatives Contract

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

(iii) De-registration Fee

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

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

(iv) Fee for Resuming User Access or Resetting Password

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

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

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

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

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

(vii) Default Interest Rate

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

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

HK\$ 10,000 per request

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

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

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

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

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

(a) Deposit: Charge at cost

(b) Porting: Charge at cost

(c) Withdrawal: Charge at cost

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

Note:

Backloading applies when (a) the Trade Date of a Contract registered in the name of a Clearing Member precedes the commencement of the Membership of that particular Clearing Member; or (b)

the Trade Date of an Original Transaction submitted for registration as Contracts precedes the effective date of the amendment in the specific product eligibility requirements (as set out in section 3.4 of the Clearing Procedures) and such Original Transaction, but for such amendment, would have not been accepted for registration.

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