

Chapter 10A Interest Rate Transition

Interest Rate Transition

10A01. Without prejudice to any other provisions contained in these Clearing Rules, OTC Clear may switch the discounting rate and the PAI calculation reference rate in respect of all Affected FX and Rates Derivatives Contract from an existing rate used by OTC Clear for purposes of constructing OTC Clear's zero coupon yield curves under Section 5 of the Clearing Procedures (the "**Existing Discount Rate**") to an alternative rate formally recommended for use by a supervisor which is responsible for supervising the relevant interest rate for the relevant currency or the administrator of such rate (the "**New Discount Rate**") (each a "**Discounting Switch**") and in relation thereto, OTC Clear may, amongst other things:

- (1) create and register new Standard Rates Derivatives Contracts to reflect the change in risk profile of the Affected FX and Rates Derivatives Contracts (the "**Compensating Swaps**"); and
- (2) create new payment obligations to reflect the change in the net present value of one or more Affected FX and Rates Derivatives Contracts, and any associated costs arising from or in connection with the Discounting Switch,

in accordance with the relevant Discounting Switch Supplement.

10A02. Prior to a Discounting Switch taking effect, OTC Clear shall deliver the relevant Discounting Switch Notice to the Clearing Members, which will set out amongst other things:

- (1) the Existing Discount Rate subject to the Discounting Switch;
- (2) the New Discount Rate as a result of the Discounting Switch;
- (3) the Discounting Switch Transition Date;
- (4) the Discounting Switch Effective Date;
- (5) the Affected FX and Rates Derivatives;
- (6) the interest rate to be used for the purposes of calculating PAI in respect of an Affected FX and Rates Derivatives Contract from, and including, the Discounting Switch Effective Date under Section 4.3.2 of the Clearing Procedures;
- (7) the date by which Clearing Members can opt in or opt out of the Compensating Swaps in relation to such Discounting Switch;
- (8) the Discounting Switch Supplement that shall apply in relation to the change of the interest rate referred to above and any dates or information required to be communicated pursuant to such Discounting Switch Supplement; and
- (9) any other information as may be relevant to effect the Discounting Switch.

10A03. OTC Clear may, from time to time, amend, modify, supplement, replace, withdraw, or override the terms of the Discounting Switch Notice by issuing a Clearing Notice or such other method as OTC Clear shall determine is appropriate.

10A04. Following the publication of the Discounting Switch Supplement, each Clearing Member hereby appoints OTC Clear, with the full power and authority of that Clearing Member, to:

- (1) register in the name of that Clearing Member, one or more Standard Rates Derivatives Contracts as Compensating Swaps on terms as set out in the Discounting Switch Supplement; and
- (2) (A) execute in the Clearing Member's name and on the Clearing Member's behalf any document, contract, deed or other agreement, or (B) do, or cause to be done, any acts, in each case as OTC Clear determines necessary (acting in good faith and in a commercially reasonable manner) to give effect to the new Standard Rates Derivatives Contracts entered into pursuant to the foregoing,

provided however that, in all cases, the terms of each Standard Rates Derivatives Contract entered into and registered pursuant to the foregoing provisions and the accounts in which such Standard Rates Derivatives Contracts shall be registered shall be determined pursuant to the methodology set out in the Discounting Switch Supplement pursuant to which such powers are exercised.

10A05. Upon the publication of the Discounting Switch Supplement, there shall arise a standing instruction to OTC Clear for itself and on behalf of the Clearing Members authorising OTC Clear to take the steps set out in the Discounting Switch Supplement, including, if applicable under the terms of that Discounting Switch Supplement, to enter into and register certain Standard Rates Derivatives Contracts as Compensating Swaps on behalf of certain Clearing Members pursuant to Clearing Rule 10A04 and the Discounting Switch Supplement.

10A06. Any Standard Rates Derivatives Contract entered into pursuant to Clearing Rule 10A04 as a Compensating Swap shall be deemed to satisfy any registration requirements under the Clearing Rules, including but not limited to being deemed to be registered in accordance with Clearing Rule 806.

10A07. The Discounting Switch Supplement may give rise to one or more payment obligations being owed by OTC Clear to a Clearing Member or by a Clearing Member to OTC Clear (each, an **"Interest Rate Change Payment"**). The calculation of each Interest Rate Change Payment and the due date for payment of such Interest Rate Change Payment in each case shall be on the terms set out in the Discounting Switch Supplement.

10A08. For the purposes of this Chapter 10A:

"Affected FX and Rates Derivatives Contracts" means Contracts relating to Affected FX and Rates Derivatives to which the relevant Discounting Switch shall apply.

"Affected FX and Rates Derivatives" means the types of Standard Rates Derivatives, Non-Deliverable Rates Derivatives, FX Derivatives and Standard Cross-currency Rates Derivatives which are specified to be in-scope for the Discounting Switch in the relevant Discounting Switch Notice.

"Compensating Swaps" has the meaning given to it in Clearing Rule 10A01(2).

"Discounting Switch" has the meaning given to it in Clearing Rule 10A01.

"Discounting Switch Effective Date" means the date as identified in the Discounting Switch Notice on which the Discounting Switch shall take effect.

"Discounting Switch Notice" means a Clearing Notice delivered by OTC Clear to its Clearing Members setting out the details of the Discounting Switch.

"Discounting Switch Supplement" means the Supplement identified by OTC Clear in the Discounting Switch Notice as being applicable to the Discounting Switch, and as may be

supplemented, modified, amended, replaced or withdrawn by OTC Clear from time to time in accordance with the terms of such Supplement.

“Discounting Switch Transition Date” means the date as identified in the Discounting Switch Supplement on which new Standard Rates Derivatives Contracts may be created and registered and Interest Rate Change Payments may be registered and recorded/booked.

“Existing Discount Rate” has the meaning given to it in Clearing Rule 10A01.

“Interest Rate Change Payment” has the meaning given to it in Clearing Rule 10A07.

“New Discount Rate” has the meaning given to it in Clearing Rule 10A01.

“PAI” has the meaning given to it in Section 4.3.2 of the Clearing Procedures.