

Chapter 15A Default relating to a Sponsored Settlement Member

Default relating to a Sponsored Settlement Member

15A01. If a potential Event of Default occurs in respect of a Clearing Member as a result of a Sponsored Settlement Member failing to pay any SSM Payment Amount on behalf of the relevant Clearing Member (a “**SSM Failure to Pay Event**”):

- (1) if OTC Clear determines that the relevant Sponsored Settlement Member is not insolvent or likely to become insolvent and (other than an SSM Failure to Pay Event) no Event of Default has occurred or is likely to occur in respect of the relevant Clearing Member, then OTC Clear may decide at its sole discretion not to deliver a Notice of Default in respect of the Clearing Member for a period of up to 5 OTC Clear Clearing Days (“**SSM Payment Failure Grace Period**”), provided that OTC Clear may charge the relevant Clearing Member default interest on the due but unpaid SSM Payment Amount and any costs, fees and expenses incurred by OTC Clear during the SSM Payment Failure Grace Period attributable to such failure to pay;
- (2) if an early termination date (howsoever described) occurs in respect of the relevant Client Clearing Agreement between a Clearing Member and a Client and the transfer of Contracts is effected under Clearing Rule 836(1), and the SSM Failure to Pay Event is continuing, OTC Clear may decide at its sole discretion not to deliver a Notice of Default in respect of the Clearing Member for a period of up to 5 OTC Clear Clearing Days from the date of the termination of the Client Clearing Agreement (“**Early Termination Grace Period**”), provided that the aggregate of any SSM_Payment Failure Grace Period (if applicable) and Early Termination Grace Period does not exceed a period of 5 OTC Clear Clearing Days; and
- (3) if OTC Clear determines that the SSM Payment Failure Grace Period has expired and the SSM Failure to Pay Event is continuing, then such failure to pay shall constitute an Event of Default in respect of the Clearing Member.

15A02. If a potential Event of Default has occurred or is likely to occur in respect of a Clearing Member that has one or more Sponsored Settlement Members, but OTC Clear determines that the relevant Sponsored Settlement Member is not insolvent or likely to become insolvent, OTC Clear may deliver a Notice of Default in respect of the relevant Clearing Member and the Default Management Process shall apply, except that OTC Clear shall (prior to any porting or termination of the relevant Contracts in accordance with the Default Management Process) continue to pay the SSM Payment Amounts to the Sponsored Settlement Member in accordance with Clearing Rule 7A01 for so long as the Sponsored Settlement Member continues to pay the SSM Payment Amounts to OTC Clear instead of the Clearing Member pursuant to Clearing Rule 7A03, and to the extent such Sponsored Settlement Member has paid such amount to OTC Clear, such payment shall reduce or extinguish the Sponsored Settlement Member’s obligation to pay the same amount to the Clearing Member under the Client Clearing Agreement.