

## Chapter 18 Hedging

### Hedging

1801. Following the occurrence of the relevant DMP Event in respect of a Defaulting Clearing Member, and subsequent to the completion of porting with respect to all Affected Contracts registered in the name of the Defaulting Clearing Member, provided that the Hedging strategies presented by the Default Management Group have been approved by OTC Clear, the Default Management Group will, on behalf of OTC Clear, conduct Hedging to mitigate, to the extent commercially practicable, any risk or economic exposure which arises as a result of the occurrence of the relevant DMP Event. Notwithstanding the immediately foregoing, OTC Clear has no obligation to conduct Hedging following the occurrence of a DMP Event. Neither OTC Clear nor the Default Management Group shall owe any fiduciary duty to any Clearing Member or any other Person in approving Hedging strategies or executing any such Hedging strategy.
1802. In executing Hedging transactions as part of the Default Management Process, the Default Management Group will take into account the risks introduced by the DMP Event to OTC Clear, other Non-Defaulting Clearing Members and the investing public, and shall at all times endeavour to obtain the best prevailing price and terms available, taking into account any constraints on the time available for execution of such Hedging.
1803. All Hedging shall be undertaken by OTC Clear for its own account. In respect of any Hedging transaction executed between OTC Clear and a Non-Defaulting Clearing Member as a hedge provider pursuant to this Chapter 18 which is intended to form part of an Auction Portfolio, OTC Clear shall register such Hedging transaction as a Contract. Upon completion of the Auction process, (i) if the Successful Bidder is not a PRC Bidder, OTC Clear shall create and register a Contract between OTC Clear and the Successful Bidder and (ii) if the Successful Bidder is a PRC Bidder, an Inter-CCP Rates Derivatives Contracts between OTC Clear and the Special Clearing House Participant shall be created and registered, in each case, with equal but opposite terms to the relevant Hedging transaction referred to in this Clearing Rule 1803. In addition, for Hedging of Standard Cross-currency Rates Derivatives Contracts, other Hedging instruments may be considered by OTC Clear at its discretion for liquidity management and Hedging purposes. Such Hedging instruments shall be entered into by OTC Clear for its own account and may be entered into with entities that are not Clearing Members.
1804. For the avoidance of doubt, a single Hedging transaction cannot be split into more than one Auction Portfolio. In addition, any Hedging transactions with entities that are not Clearing Members should not be included in Auction Portfolios. Any losses or costs incurred as a result of the entering into of a Hedging transaction shall be allocated as part of the Auction Losses or Contract Termination Losses relating to the relevant Auction Portfolio.