

Chapter 21E Suspension and Termination of Participantship

Suspension

21E01. OTC Clear shall be entitled to suspend the Special Clearing House Participant and the Clearing Link Services:

- (1) if OTC Clear determines that an SHCH Event of Default has occurred;
- (2) if OTC Clear has been notified by the Special Clearing House Participant that a Force Majeure Event or Illegality has occurred and such Force Majeure Event or Illegality is continuing in the opinion of OTC Clear; or
- (3) if SFC is of the view that suspension of the Participantship of the Special Clearing House Participant and the Clearing Link Services is necessary to protect the interests of OTC Clear or its Clearing Members (which, for the avoidance of doubt, shall not include the Special Clearing House Participant) and requests OTC Clear to suspend the Special Clearing House Participant and the Clearing Link Services.

The suspension may occur on such terms and for such period as OTC Clear may think fit.

21E02. Where the Clearing Link Services are suspended:

- (1) payment obligations of both OTC Clear and the Special Clearing House Participant in respect of all Inter-CCP Rates Derivatives Contracts (including payments and delivery in respect of any Inter-CCP Margin Amount) shall be suspended and deferred until the Clearing Link Services are resumed;
 - (a) where the Clearing Link Services are suspended pursuant to Clearing Rule 21E01(1), the Special Clearing House Participant shall be liable for the direct losses and costs incurred by OTC Clear in connection with the suspension of the Clearing Link Services; and
 - (b) where the Clearing Link Services are suspended due to Clearing Rules 21E01(2) or 21E01(3), neither OTC Clear nor the Special Clearing House Participant shall be liable for any loss or cost (whether direct, indirect or consequential) incurred by the other party or its Affiliates in connection with the suspension of the Clearing Link Services, but without prejudice to Clearing Rule 21E02(1)(a) upon the subsequent occurrence of an SHCH Event of Default;
- (2) no new Inter-CCP Rates Derivatives Contracts shall be entered into, unless otherwise agreed between OTC Clear and the Special Clearing House Participant;
- (3) the suspension shall not in any way affect the validity or enforceability of any Contract or other agreement or arrangement to which OTC Clear and the Special Clearing House Participant were party prior to the suspension;
- (4) OTC Clear may suspend the Participantship of the Special Clearing House Participant;
- (5) the suspended Special Clearing House Participant shall, prior to its Participantship Termination Date, continue to be bound by any conditions stipulated in the notice of approval of its Participantship and continue to agree to and accept the Clearing Documentation during such period of suspension; and

- (6) notice of suspension of Participantship of the Special Clearing House Participant and the Clearing Link Services shall be given by OTC Clear as soon as reasonably practicable to the Special Clearing House Participant and the SFC.

21E03. OTC Clear may resume the Participantship of the Special Clearing House Participant and the Clearing Link Services by giving notice to the Special Clearing House Participant at any time during the suspension.

Termination

21E04. The Special Clearing House Participant's Participantship and the Clearing Link Services may be terminated as a result of the termination of the Clearing Link Agreement (including the occurrence of a Force Majeure Event or Illegality that is continuing).

21E05. Upon the termination of the Clearing Link Agreement:

- (1) the Clearing Link Services shall cease;
- (2) the Inter-CCP Rates Derivatives Contracts shall be terminated and the close-out value for each such Contract shall be determined at a price by reference to curves constructed by the Special Clearing House Participant based on the market data obtained at or around 16:00 hours China Standard Time on the Participantship Termination Date (which shall be a Northbound Clearing Day) and in case such curves are not available on such Northbound Clearing Day, the day-end price obtained from other sources in a commercially reasonable manner, provided that the aggregate termination amounts of all Contracts shall be determined as agreed between OTC Clear and the Special Clearing House Participant, and a single net sum shall be payable by or to the Special Clearing House Participant within one Northbound Clearing Day from the determination and notification of the net sum;
- (3) either OTC Clear or the Special Clearing House Participant to whom the net sum is payable in sub-paragraph (2) above shall be entitled to (a) enforce its security interest (if applicable) against the other and (b) utilise the cash Collateral posted by the other as the Inter-CCP SHCH Margin Amount or the Inter-CCP OTCC Margin Amount (as the case may be) to satisfy such net sum before returning the remaining cash Collateral to the other;
- (4) subject to sub-paragraph (3) above and the settlement of the net sum in sub-paragraph (2) above, the remaining cash Collateral standing to the credit of the Hong Kong Collateral Account shall be returned to the Special Clearing House Participant and the remaining cash Collateral standing to the credit of the PRC Collateral Account shall be returned to OTC Clear; and
- (5) if the cash Collateral posted as the Inter-CCP SHCH Margin Amount or the Inter-CCP OTCC Margin Amount is insufficient to satisfy the net sum in sub-paragraph (2) above, the shortfall shall be payable by OTC Clear or the Special Clearing House Participant (as the case may be) upon demand of the other.

21E06. Unless otherwise determined by OTC Clear, the Special Clearing House Participant shall, prior to the relevant Participantship Termination Date:

- (1) subject to Clearing Rule 21E08, continue to be obliged to pay when due all amounts required by OTC Clear in accordance with this Part VA and Chapter 11 of the Clearing Procedures, including without limitation, its Margin requirements and cash payment obligations until its Participantship Termination Date;

- (2) not enter into any new Contracts; and
- (3) continue to be bound by any conditions stipulated in the notice of approval of its Participantship and continue to agree to and accept the Clearing Documentation until the Participantship Termination Date.

21E07. If the Special Clearing House Participant has failed to comply with Clearing Rule 21E06, OTC Clear may deem the Special Clearing House Participant as the Defaulting Special Clearing House Participant and take all necessary steps, including those set out in Clearing Rules 21J06 and 21J07 or to initiate the Default Management Process, in order to ensure the orderly winding down of the Special Clearing House Participant's business in relation to OTC Clear.

21E08. Termination of the Special Clearing House Participant's Participantship and the Clearing Link Services shall not affect the validity and operation of the provisions of the Clearing Rules relating to disclosure of information, limited recourse of the Rates and FX Clearing Services, winding down of the Rates and FX Clearing Services, terms of redelivery or repayment of the Rates and FX Contribution and Clearing Rules 21E09, 21I13 and 21J10, which shall survive termination of its Participantship and the Clearing Link Services.

21E09. OTC Clear and the Special Clearing House Participant shall remain:

- (1) subject to any arbitration, investigations, panels or proceedings, and provisions of any of the Clearing Documentation which relate in whole or in part to any acts or omissions of OTC Clear or the Special Clearing House Participant while it was a participant; and
- (2) liable in respect of all cash payment obligations including fees, levies, duties, fines, charges and payments under this Part VA, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement, as applicable, amounts due to OTC Clear or the Special Clearing House Participant as a result of this Part VA, Chapter 11 of the Clearing Procedures and the Clearing Link Agreement and any other liabilities entered into and accrued prior to the relevant Participantship Termination Date.