

Chapter 23 Product Specific Terms for Non Deliverable Rates Derivatives Contracts

Product Specific Terms for Non Deliverable Rates Derivatives Contracts

2301. The terms of a Non Deliverable Rates Derivatives Contract shall include the following terms (together, the “**Non Deliverable Rates Derivatives Contract Terms**”):
- (1) Clearing Rules 2303 to 2310 (the “**Interpretation Provisions**”);
 - (2) the Economic Terms; and
 - (3) the General Terms, as set out in Clearing Rules 2317 to 2322,
- each as interpreted in accordance with the Interpretation Provisions.
2302. In the event of any inconsistency between the Economic Terms and General Terms, the General Terms will prevail.

Interpretation

2303. The ISDA Definitions (together with all supplements thereto outstanding as at 30 April 2018) and the FX Definitions (including all supplements thereto outstanding as at 30 April 2018) (the ISDA Definitions and FX Definitions together, the “**ND IRS Definitions**”), each outstanding as at 30 April 2018 are incorporated by reference into these Non Deliverable Rates Derivatives Contract Terms. Unless otherwise specified, capitalized terms used in the Non Deliverable Rates Derivatives Contract Terms but not defined in the Clearing Documentation shall have the meanings given to them in the ND IRS Definitions. In the event of any inconsistency between the ISDA Definitions and the FX Definitions, the ISDA Definitions will prevail except that the FX Definitions will prevail for purposes of the “**Settlement Terms**” and “**Other Terms**” as set out in the ND IRS Template. In the event of any inconsistency between the ND IRS Definitions and the Clearing Documentation, the Clearing Documentation will prevail.
2304. The “**Asian Currencies Non-Deliverable Swap Transaction Standard Terms Supplement and Fallback Matrix**” outstanding as at 1 April 2018 published by ISDA or a recognized successor (the “**ND IRS Template**”) are incorporated by reference into the relevant Non Deliverable Rates Derivatives Contract Terms.
2305. If the terms of a ND IRS Template conflict with the ND IRS Definitions, the terms of the ND IRS Template shall prevail.
2306. In deriving the Economic Terms of the Non Deliverable Rates Derivatives Contract from the Transaction Data of the corresponding Original Non Deliverable Rates Derivatives Transaction, all references in the ISDA Definitions to a “**Swap Transaction**” shall be deemed to be “**Original Non Deliverable Rates Derivatives Transaction**”.
2307. Subject to the ND IRS Amendment adopted by OTC Clear pursuant to Clearing Rule 2308, the ND IRS Definitions and the Non Deliverable Rates Derivatives Contract Terms applicable to a Non Deliverable Rates Derivatives Contract shall be those applicable as at the Registration time of such Non Deliverable Rates Derivatives Contract.
2308. In case of any amendment to the ND IRS Definitions, the form of the relevant ND IRS Template, or publication of any supplement, annex or protocol by ISDA relating to the ND IRS Definitions (each a “**ND IRS Amendment**”), OTC Clear may, in its sole discretion, determine whether any such ND IRS Amendment should be adopted for the purpose of interpreting or implementing the Non Deliverable Rates Derivatives Contract Terms, the manner of any such adoption and when such adoption shall take effect, and notify all Clearing Members of the same. Any non-receipt of

such notice by Clearing Members shall not invalidate the effectiveness of the adoption of ND IRS Amendment by OTC Clear.

2309. In respect of any adoption of ND IRS Amendment by OTC Clear, such adopted ND IRS Amendment shall govern the Non Deliverable Rates Derivatives Contract Terms of each Non Deliverable Rates Derivatives Contract then registered with OTC Clear, and any prospective payment obligations arising out of each such Non Deliverable Rates Derivatives Contract shall be construed accordingly.
2310. The Non Deliverable Rates Derivatives Contract Terms supplement, form part of, and are subject to these Clearing Rules. In the event of any inconsistency between the Non Deliverable Rates Derivatives Contract Terms and these Clearing Rules, these Clearing Rules will prevail.

Economic Terms

2311. The Economic Terms of a Non Deliverable Rates Derivatives Contract are derived from the Transaction Data relating to the corresponding Original Non Deliverable Rates Derivatives Transaction. The Original Non Deliverable Rates Derivatives Transaction submitted to OTC Clear for registration must include information that satisfies each of the Economic Terms fields set out in Clearing Rule 2312.

2312. The Economic Terms fields comprise:

- (1) Trade Date (see Section 3.7 of the ISDA Definitions);
- (2) Effective Date (see Section 3.2 of the ISDA Definitions);
- (3) Termination Date (see Section 3.3 of the ISDA Definitions);
- (4) Business Days (see Section 1.4 of the ISDA Definitions);
- (5) Business Day Convention (see Section 4.12 of the ISDA Definitions);
- (6) Where Fixed Rate – Floating Rate Swap:
 - (a) Fixed Rate Payer (see Section 2.1 of the ISDA Definitions);
 - (b) Fixed Rate Payer Currency Amount;
 - (c) Fixed Rate Payer Payment Dates;
 - (d) Fixed Rate and Fixed Rate Day Count Fraction;
 - (e) Floating Rate Payer (see Section 2.2 of the ISDA Definitions);
 - (f) Floating Rate Payer Currency Amount;
 - (g) Floating Rate Payer Payment Dates;
 - (h) Floating Rate Payer compounding dates (if applicable);
 - (i) Floating Rate Payer Compounding Period;
 - (j) Floating Rate Option (see Section 6.2(h) of the ISDA Definitions);
 - (k) Designated Maturity (see Section 7.3(b) of the ISDA Definitions) (if applicable);
 - (l) Spread (see Section 6.2(e) of the ISDA Definitions);
 - (m) Reset Dates (see Section 6.2(b) of the ISDA Definitions);
 - (n) Floating Rate Day Count Fraction (see Section 6.2(f) of the ISDA Definitions);
 - (o) Compounding (if applicable) (see Section 6.1(b) of the ISDA Definitions);

- (p) Floating Rate (if applicable) (see Section 6.2(a) of the ISDA Definitions);
 - (7) (a) Reference Currency (Section 1.19 of the FX Definitions);
 - (b) Settlement Currency (Section 1.16(b) of the FX Definitions);
 - (c) in the event that the Currency Pair is not expressed in the format of “**Reference Currency – Settlement Currency**”, or no election is made with respect to which currency is the Reference Currency and which currency is the Settlement Currency, then the Settlement Currency will be deemed to be USD, or any other currency(ies) as specified by OTC Clear and notified to the Clearing Members from time to time;
 - (8) Details of the relevant financial center(s) must be indicated in the Original Non Deliverable Rates Derivatives Transaction; and
 - (9) Additional Payments/Fees:
 - (a) the Payer of the Additional Payments/Fees (if applicable);
 - (b) the amount of the Additional Payments/Fees (specify zero if none);
 - (c) the Additional Payments/Fees dates (if applicable).
2313. Pursuant to Clearing Rule 806(1), if Clearing Member 1 was the party paying a rate (“**Rate A**”) to, and receiving a rate (“**Rate B**”) from, Clearing Member 2, and Clearing Member 2 was the party paying Rate B to, and receiving Rate A from, Clearing Member 1 under an Original Non Deliverable Rates Derivatives Transaction, then upon registration of the same as two Non Deliverable Rates Derivatives Contracts between OTC Clear and each of Clearing Member 1 and Clearing Member 2, and when deriving the relevant Economic Terms relating to any Floating Rate Payer and/or Fixed Rate Payer from the Transaction Data of the corresponding Original Non Deliverable Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, Clearing Member 2 and pay Rate B to, and receive Rate A from, Clearing Member 1.
2314. Pursuant to Clearing Rule 806(2), if the Relevant Client was the party paying a rate (“**Rate A**”) to, and receiving a rate (“**Rate B**”) from Clearing Member 4, and Clearing Member 4 was the party paying Rate B to, and receiving Rate A from, the Relevant Client under an Original Non Deliverable Rates Derivatives Transaction, then upon registration of the same as two Non Deliverable Rates Derivatives Contracts between OTC Clear and Clearing Member 3 (in respect of its Client Position Account relating to the Relevant Client) and Clearing Member 4 (in respect of its House Position Account), and when deriving the relevant Economic Terms relating to any Floating Rate Payer and/or Fixed Rate Payer from the Transaction Data of the corresponding Original Non Deliverable Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, Clearing Member 4 (in respect of its House Position Account) and pay Rate B to, and receive Rate A from, Clearing Member 3 (in respect of its Client Position Account relating to the Relevant Client).
- If, pursuant to Clearing Rule 806(2)(c), Clearing Member 3 and Clearing Member 4 are the same Clearing Member, then OTC Clear will pay Rate A to, and receive Rate B from, such Clearing Member’s House Position Account, and pay Rate B to, and receive Rate A from, such Clearing Member’s Client Position Account relating to the Relevant Client.
2315. Pursuant to Clearing Rule 806(3), if Client 1 was the party paying a rate (“**Rate A**”) to, and receiving a rate (“**Rate B**”) from Client 2, and Client 2 was the party paying Rate B to, and receiving Rate A from, Client 1 under an Original Non Deliverable Rates Derivatives Transaction, then upon registration of the same as two Non Deliverable Rates Derivatives

Contracts between OTC Clear and Clearing Member 5 (in respect of its Client Position Account relating to Client 1) and Clearing Member 6 (in respect of its Client Position Account relating to Client 2), and when deriving the relevant Economic Terms relating to any Floating Rate Payer and/or Fixed Rate Payer from the Transaction Data of the corresponding Original Non Deliverable Rates Derivatives Transaction, the terms shall be derived such that OTC Clear will pay Rate A to, and receive Rate B from, Clearing Member 6 (in respect of its Client Position Account relating to Client 2) and pay Rate B to, and receive Rate A from, Clearing Member 5 (in respect of its Client Position Account relating to Client 1).

If, pursuant to Clearing Rule 806(3)(c), Clearing Member 5 and Clearing Member 6 are the same Clearing Member, then OTC Clear will pay Rate A to, and receive Rate B from, such Clearing Member's Client Position Account relating to Client 2, and pay Rate B to, and receive Rate A from, such Clearing Member's Client Position Account relating to Client 1.

General Terms

2316. Clearing Rules 2317 to 2322 are designated as General Terms of a Non Deliverable Rates Derivatives Contract.

Clearing Rules

2317. A Non Deliverable Rates Derivatives Contract shall be subject to the Clearing Rules, which shall form a part of its terms. In the event of any inconsistency between these Contract Terms and the Clearing Rules, the Clearing Rules will prevail.

Calculation Agent

2318. OTC Clear shall be deemed the Calculation Agent in respect of each Non Deliverable Rates Derivatives Contract.

Negative Interest Rates

2319. Notwithstanding Section 6.4(a) of the ISDA Definitions, "**Negative Interest Rate Method**" will be deemed to apply to a Non Deliverable Rates Derivatives Contract, and Sections 6.4(b) and 6.4(c) of the ISDA Definitions will apply to a Non Deliverable Rates Derivatives Contract.

Rounding

2320. Sections 8.1 and 8.2 of the ISDA Definitions will apply to a Non Deliverable Rates Derivatives Contract.

Tax Provisions

2321. Chapter 11 of these Clearing Rules shall form part of the Non Deliverable Rates Derivatives Contract Terms as if they were set out in full herein.

Governing Law

2322. Each Non Deliverable Rates Derivatives Contract shall be governed by and construed in accordance with the laws of Hong Kong and the parties irrevocably agree for the benefit of OTC Clear that the courts of Hong Kong shall have exclusive jurisdiction to hear and determine any action or dispute which may arise here from. Each Clearing Member hereto irrevocably submits to such jurisdiction and agrees to waive any objection it might otherwise have to such jurisdiction, save that this submission to the jurisdiction of the courts of Hong Kong shall not (and shall not be construed so as to) limit the right of OTC Clear to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude OTC Clear from taking action in any other jurisdiction, whether concurrently or not.