

香港場外結算有限公司

(香港交易及結算所有限公司附屬公司)

OTC CLEARING HONG KONG LIMITED

(A subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Amendments to the Clearing Rules and Clearing Procedures of OTC Clearing Hong Kong Limited ("OTC Clear")

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Clearing Members of OTC Clear are requested to note that the Securities and Futures Commission has approved amendments to the Clearing Rules and the Clearing Procedures of OTC Clear for the purposes of (a) introducing the Multilateral Compression Service in co-operation with TriOptima AB (the "Multilateral Compression Amendments"); (b) updating the product eligibility requirements for rates derivatives transactions (the "Product Eligibility Requirements Amendments"), (c) enhancing stress testing measures (the "Enhancement of Stress Testing Amendments") and (d) some housekeeping changes.

The Multilateral Compression Amendments, the Product Eligibility Requirements Amendments and some housekeeping changes as set out in Appendices 1, 2 and 3 respectively will come into effect on Monday, 8 August 2022 whereas the Enhancement of Stress Testing Amendments as set out in the Appendix 4 will come into effect on Wednesday, 31 August 2022.

The marked-up version of the amendments can be downloaded from the following sections of the HKEX website:

- ["Rule Update - OTC Clear Clearing Rules"](#)
- ["Rule Update - OTC Clear Clearing Procedures"](#)

Florence Leung
Head of Legal

OTC Clear Clearing Rules

PART I GENERAL PROVISIONS

Chapter 1 Definitions and Interpretation

Definitions

101. In these Clearing Rules, unless the context otherwise requires:

“Compression Cash Settlement Payments”	means, in respect of a Multilateral Compression Cycle, any cash payments to be made by a Compression Clearing Member to OTC Clear and/or by OTC Clear to a Compression Clearing Member as settlement of the unrealised value of the Eligible Compression Contracts that are proposed to be terminated, amended and/or replaced as set out in the Unwind Proposal relating to that Multilateral Compression Cycle, where such Unwind Proposal has been accepted by all Compression Clearing Members participating in that Multilateral Compression Cycle and has been implemented by OTC Clear;
“Compression Clearing Member”	means, in relation to a Multilateral Compression Cycle, a Clearing Member who has adhered to the relevant Compression Documentation with the relevant Compression Service Provider and has notified the relevant Compression Service Provider within the period specified in the relevant Compression Documentation that it wishes to participate in that Multilateral Compression Cycle;
“Compression Documentation”	means the agreements and documents as may be required by the relevant Compression Service Provider and/or OTC Clear in order to allow a Clearing Member to receive the services of the relevant Compression Service Provider and participate in a Multilateral Compression Cycle, and such other documentation relating to any Compression Service Provider which OTC Clear may prescribe from time to time, including but not limited to the triReduce® OTC Clear Compression Protocol;
“Compression Execution Date”	means, in respect of a Multilateral Compression Cycle, the date designated by OTC Clear and notified to Clearing Members via a Clearing Notice on which OTC Clear is scheduled to implement the Unwind Proposal relating to that Multilateral Compression Cycle;
“Compression Service Provider”	means such service providers as approved by OTC Clear from time to time and notified to Clearing Members, including but not limited to TriOptima AB;
“Compression Time”	means, in respect of a Multilateral Compression Cycle, the time on the Compression Execution Date set out in the Compression Documentation at which OTC Clear implements the Unwind Proposal relating to that Multilateral Compression Cycle, by terminating Eligible Compression Contracts, amending the terms thereof and/or simultaneously registering new Contracts in the names of the Compression Clearing Members participating in that Multilateral Compression Cycle;

“Eligible Compression Contracts”	means, in respect of a Multilateral Compression Cycle, Contracts registered to a Compression Clearing Member's House Position Account which are Standard Rates Derivatives Contracts, Non Deliverable Rates Derivatives Contracts and Standard Cross-currency Rates Derivatives Contracts and which will not have matured on or before the scheduled Compression Execution Date of that Multilateral Compression Cycle;
“Multilateral Compression Cycle”	means a multilateral compression cycle established by OTC Clear and facilitated by a Compression Service Provider nominated by OTC Clear, which shall be open to participation by Clearing Members in respect of their House Business only, in accordance with the provisions of the Clearing Rules and relevant Compression Documentation;
“Multilateral Compression Fees”	means, in respect of a Multilateral Compression Cycle, the fees payable by a Compression Clearing Member in respect of each Unwind Proposal that has been accepted by all Compression Clearing Members participating in that Multilateral Compression Cycle, as set out in Appendix I to the Clearing Procedures;
“triReduce® OTC Clear Compression Protocol”	means a protocol on compression of cleared trades to be established between TriOptima AB, OTC Clear, and the relevant Clearing Members;
“Unwind Proposal”	means, in relation to a Multilateral Compression Cycle, a proposal produced by a Compression Service Provider which may comprise a combination of termination of Eligible Compression Contracts, amendment to the terms thereof and/or replacement with new Contracts, as the case may be;

Chapter 2 General Provisions

Disclosure of Information

212. All information provided to or in the possession of OTC Clear regarding past or current positions carried by OTC Clear for a Clearing Member, Margin payments between OTC Clear and a Clearing Member or deliveries made by or to a Clearing Member and any financial statements submitted to OTC Clear by any Clearing Member shall be kept confidential by OTC Clear in accordance with such procedures or policies as OTC Clear may from time to time determine. Notwithstanding the foregoing, OTC Clear may disclose any information described in the immediately preceding sentence, any information received from a Clearing Member and any other information in connection with a Clearing Member at any time:
- (1) with the written consent of the Clearing Member involved;
 - (2) to HKEX and any of its Affiliates and any Representatives, committees, auditors or advisers of HKEX or any Affiliate of OTC Clear which is a recognized exchange company or a recognized clearing house under the SFO;
 - (3) pursuant to any requirement or request of any Governmental Authority, including, but not limited to, the SFC, HKMA and the Inland Revenue Department of the Hong Kong government; or to any Person required by or in accordance with the Tax Information Exchange Framework;
 - (4) pursuant to any order of a court of competent jurisdiction;

- (5) as expressly permitted by the Clearing Documentation, including, without limitation, to one or several Clearing Members, to the extent that such disclosure is necessary for the proper management of an Event of Default and the implementation by OTC Clear and Clearing Members of settlement of any Contract provided that where OTC Clear discloses any information to any Clearing Member in such circumstances, the receiving Clearing Member shall treat such information as confidential information and shall not make the information known or available to any other Person or use the information for any purpose other than that for which it has been disclosed by OTC Clear;
- (6) to any insurer, insurance broker or banker in connection with any arrangement in support of the Rates and FX Guarantee Resources;
- (7) to any professional advisers, auditors or consultants of OTC Clear;
- (8) as required by any Applicable Law;
- (9) to any trade repository or Governmental Authority (whether in Hong Kong or elsewhere) with whom OTC Clear or HKEX has entered into an information sharing arrangement or reporting service agreement or pursuant to the Tax Information Exchange Framework, such trade repository or Governmental Authority may use, handle, store, transfer and disclose such information in accordance with the terms of any such information sharing arrangement, reporting service agreement or pursuant to the Tax Information Exchange Framework;
- (10) to any service provider or third party contractor whom OTC Clear has engaged to provide data processing or other similar services for OTC Clear, provided that any such persons shall be bound by confidentiality obligation or undertaking;
- (11) to any Person if the information comes into the public domain, other than as a result of a breach of this Clearing Rule 212 by OTC Clear or any of its Representatives;
- (12) to any Client or Designated Person to which the information relates; or
- (13) insofar as a Clearing Member is a Compression Clearing Member in relation to a particular Multilateral Compression Cycle, such information as the relevant Compression Service Provider requires that OTC Clear provide to it for the purposes of preparing the Unwind Proposal relating to that Multilateral Compression Cycle,

provided that, in any such case other than under sub-paragraphs (1), (3), (4), (5), (9) and (11) above, the confidentiality of the information is made known to the recipient (it being understood that, if more than one sub-paragraph of this sentence applies to a particular disclosure and that include any of sub-paragraph (1), (3), (4), (5), (9) or (11) above, then the confidentiality of the information need not be made known to the recipient).

Each Clearing Member agrees that OTC Clear has the power to publish aggregated trade information in respect of Contracts cleared and settled through OTC Clear, whether relating to data on open positions, trade volumes, types of Contracts cleared and settled by OTC Clear, provided that the identity of Clearing Members or Clients cannot reasonably be determined from the data, statistics or other materials so published.

PART III CLEARING OPERATIONS

Chapter 8 Clearing by OTC Clear

822. A Clearing Member shall inform each of its Client(s) that:

- (1) should such Client wish to effect porting upon the occurrence of a DMP Event with respect to the Clearing Member, complete Porting Instructions shall be delivered to OTC Clear as soon as reasonably practicable at or after commencement of clearing operations in relation to the Client Account(s) relating to such Client and a Replacement Clearing Member must be appointed prior to the occurrence of a DMP Event with respect to the original Clearing Member;
- (2) subsequent to the submission of Porting Instructions and prior to the occurrence of a DMP Event with respect to the original Clearing Member, a Client who wishes to appoint a different Replacement Clearing Member may deliver, or procure the delivery of, new Porting Instructions appointing another Replacement Clearing Member. The latest Porting Instructions received by OTC Clear in respect of the Client Accounts relating to a Client will be deemed to have superseded and replaced previous Porting Instructions relating to such Client; and
- (3) all Porting Instructions must be received by OTC Clear by 5:00pm (Hong Kong time) on the OTC Clear Clearing Day immediately following the occurrence of a DMP Event with respect to the original Clearing Member.

Multilateral Compression

838. Clearing Members who have adhered to relevant Compression Documentation with a Compression Service Provider may participate in a Multilateral Compression Cycle in respect of all Eligible Compression Contracts registered to their House Position Account.
839. Contracts registered to a Clearing Member's Client Position Account are not eligible for compression.
840. In respect of each Multilateral Compression Cycle, OTC Clear will effect the compression or decompression of Eligible Compression Contracts by terminating certain offsetting or redundant Contracts, amending the terms of certain Contracts by increasing the notional amount or converting the reference rate and/or registering one or more new Contracts, all in accordance with the Unwind Proposal generated in respect of that Multilateral Compression Cycle. Any new Contract created pursuant to a Multilateral Compression Cycle is entered into by OTC Clear for the purpose of clearing and settlement of the relevant Compression Clearing Member's House Business. Any Contract, as created, amended or terminated pursuant to a Multilateral Compression Cycle, shall be a "market contract" as defined in, and for the purposes of, the SFO, as described in Clearing Rule 811(1).
841. When OTC Clear intends to run a Multilateral Compression Cycle, it shall nominate a Compression Service Provider to facilitate such Multilateral Compression Cycle. OTC Clear and the relevant Compression Service Provider shall then notify Clearing Members meeting the criteria set out in Clearing Rule 838 above of the Transaction Category(ies) of Eligible Compression Contracts forming part of that Multilateral Compression Cycle and implement the processes set out in the relevant Compression Documentation. For the avoidance of doubt, OTC Clear may, at its sole and absolute discretion, exclude Eligible Compression Contracts in any number of Transaction Category(ies) from a Multilateral Compression Cycle.
842. In any Multilateral Compression Cycle, compression shall only take place in accordance with the terms of an Unwind Proposal which has been accepted by all participating Compression Clearing Members.

843. Each participating Compression Clearing Member agrees and acknowledges that the Compression Service Provider's confirmation to OTC Clear that such Compression Clearing Member has confirmed its acceptance of the Unwind Proposal to the Compression Service Provider, shall constitute a binding acceptance of the Unwind Proposal by such Compression Clearing Member to OTC Clear. Upon a Compression Clearing Member's acceptance of an Unwind Proposal in the manner set out in the relevant Compression Documentation, such Compression Clearing Member shall be irrevocably bound to the terms of that Unwind Proposal and shall be obligated to settle in full by the time set out in the relevant Compression Documentation, such Compression Clearing Member's increased Initial Margin requirements (if applicable), the Compression Cash Settlement Payment due to OTC Clear. The amount of Multilateral Compression Fees payable to OTC Clear shall be payable as part of the fees and interest settlement component published in a settlement report from time to time as described in the Clearing Procedures.
844. Save where the Clearing Procedures require otherwise, Compression Cash Settlement Payments due to OTC Clear must be satisfied by payment in cash in the relevant Contractual Currency(ies) specified in the relevant Unwind Proposal.
845. OTC Clear may, at its sole and absolute discretion, at any time prior to the Compression Time, agree to proceed (or decline to proceed) with the implementation of the accepted Unwind Proposal. For the avoidance of doubt, the irrevocable acceptance of an Unwind Proposal by participating Compression Clearing Members shall not bind or require OTC Clear to implement such Unwind Proposal.
846. Save for the Compression Cash Settlement Payments which shall be due to or payable by OTC Clear as settlement of the unrealised value of the Eligible Compression Contracts that are proposed to be amended, terminated and/or replaced under each accepted Unwind Proposal, OTC Clear shall have no involvement in and accepts no responsibility or liability in relation to any Multilateral Compression-related balancing, termination or ancillary payments or fees that participating Compression Clearing Members may agree between themselves in accordance with the relevant Compression Documentation or otherwise. In the event OTC Clear agrees to participate in the processing of ancillary payments or fees pursuant to the relevant Compression Documentation, OTC Clear accepts no liability to any Compression Clearing Member or third party in connection with or related to the processing of such ancillary payments or fees.
847. Without prejudice to any other provisions of these Clearing Rules, or any Compression Documentation, OTC Clear and its Affiliates shall not have any liability whatsoever to any Compression Clearing Member or to any other person in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damages, losses, costs or expenses of whatsoever nature suffered or incurred by a Compression Clearing Member or any other person, as the case may be:
- (1) as a result of any action OTC Clear takes under the Clearing Rules or the relevant Compression Documentation, whether in accordance with an Unwind Proposal, in reliance on information provided by Compression Clearing Members or any Compression Service Provider or otherwise;
 - (2) in relation to a Multilateral Compression Cycle, as a result of any action or omission of a Compression Service Provider, including, without limitation, any error or omission in the terms of any Unwind Proposal; or
 - (3) in relation to any Multilateral Compression Cycle, as a result of any action or omission of a participating Compression Clearing Member, including, without limitation, any error or omission in the terms of any Unwind Proposal.

848. A Compression Clearing Member who has accepted an Unwind Proposal but who subsequently is unable to make the representations and warranties set out in the relevant Compression Documentation or fails to meet his obligations by the time specified for such processes as set out in the relevant Compression Documentation, including, without limitation, payment obligations, may be precluded from participating in future Multilateral Compression Cycles by OTC Clear, at its sole and absolute discretion.

PART IV RISK MANAGEMENT AND DEFAULT PROCEDURES

Chapter 12 Margin

Initial Margin, Additional Margin, Variation Margin, and Intra-day Variation Margin

1204. Each Clearing Member shall deliver sufficient Collateral as Margin as a precondition for (i) the registration of an Original Transaction by OTC Clear and (ii) the implementation of an Unwind Proposal by OTC Clear.
1205. OTC Clear shall calculate and, where appropriate, demand Initial Margin on each OTC Clear Clearing Day and Compression Execution Date, as applicable. In addition, OTC Clear may, from time to time, in its absolute discretion and on any OTC Clear Clearing Day and Compression Execution Date, make an intra-day call for Initial Margin.

OTC Clear Clearing Procedures

Chapter 3

Rates and FX Clearing Services

3.6A Multilateral Compression

Each Multilateral Compression Cycle shall be implemented in accordance with the processes set out in the relevant Compression Documentation.

In addition to the circumstances set out in the Clearing Rules and the Compression Documentation, OTC Clear may, at its sole and absolute discretion, decline to implement the Unwind Proposal relating to a Multilateral Compression Cycle, if:

- (i) any participating Compression Clearing Member fails to satisfy its increased Initial Margin requirements by the time(s) set out in the relevant Compression Documentation;
- (ii) the Unwind Proposal would result in any participating Compression Clearing Member breaching its Position Limit or Notional Exchange Risk Limit; or
- (iii) OTC Clear determines that an Event of Default has occurred or is likely to occur with respect to any participating Compression Clearing Member.

If OTC Clear agrees to proceed with the implementation of an Unwind Proposal, it will settle the Compression Cash Settlement Payments due to each relevant participating Compression Clearing Member at the time set out in the relevant Compression Documentation.

Collateral received from participating Compression Clearing Members to satisfy Initial Margin requirements shall form part of the relevant Clearing Member's Margin Balance and such Clearing Members may subsequently request that OTC Clear redeliver such Collateral to the extent that it constitutes Excess Margin.

3.8.1 Daily Settlement Components

OTC Clear will determine the daily settlement components on each OTC Clear Clearing Day. Daily settlement components consist of (i) coupon payment for a Standard Rates Derivatives Contract, Standard Cross-currency Rates Derivatives Contract and Non Deliverable Rates Derivatives Contract, (ii) settlement amount for a Non Deliverable FX Derivatives Contract, (iii) Additional Payment, (iv) Additional Amount, (v) Initial Margin, (vi) Additional Margin, (vii) Variation Margin, (viii) Rates and FX Contribution, (ix) Initial Exchange Amount and Final Exchange Amount for a Standard Cross-currency Rates Derivatives Contract, (x) Notional Amounts for a Deliverable FX Forward Contract and Deliverable FX Swap Contract, (xi) Compression Cash Settlement Payments and any other components which may be specified by OTC Clear from time to time.

Market data (such as non-business days for different financial centers, any interest rate, exchange rate or price) which are applied to determine the daily settlement components will be published in the "OTC Clear Market Data Reports (Report Number MKDR01, MKDR02 and MKDR03)". The amount of daily settlement components to be settled by a Clearing Member will be published in the "OTC Clear Settlement Report (Report Number STRP01)" in respect of any payment relevant to a House Account or "OTC Clear Settlement Report for Client (Report Number STRP01_C)" in respect of any payment relevant to a Client Account. Such reports are available to the Clearing Members on the Web Portal. The

daily settlement components published in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01_C)” shall be final and conclusive, and shall be settled on the relevant “Value Date” as stipulated in the “OTC Clear Settlement Report (Report Number STRP01)” and “OTC Clear Settlement Report for Client (Report Number STRP01_C)” in accordance with section 3.12. Any de-registration request that is accepted by OTC Clear after the publication of the “OTC Clear Settlement Report (Report Number STRP01)” or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” for any relevant “Value Date” shall not have any effect on the payment obligation of a Clearing Member to settle the daily settlement components set out in the relevant “OTC Clear Settlement Report (Report Number STRP01)” or “OTC Clear Settlement Report for Client (Report Number STRP01_C)” for such “Value Date”.

3.8.2.1 Fees

Types of fees which are applicable to a Clearing Member and Sponsored Settlement Member (where applicable) will be notified by OTC Clear to its Clearing Members and Sponsored Settlement Member from time to time and include, but are not limited to, the following:

- (x) fees for processing each request for deposit, porting or withdrawal of non-cash Collateral by a Clearing Member. For the avoidance of doubt, such fees are payable by such Clearing Member irrespective of whether each request is successful;
- (xi) accommodation charges, administrative fees and/or commitment fees for credit lines in respect of any non-cash Collateral delivered by a Clearing Member for purposes of satisfying its Initial Margin requirements and/or its Additional Margin requirements in respect of its House Position Account and/or its Client Position Account (if Client Clearing Services are provided by such Clearing Member); and
- (xii) the Multilateral Compression Fees payable by each Compression Clearing Member who has agreed to participate in a Multilateral Compression Cycle for the implementation of the Unwind Proposal relating to that Multilateral Compression Cycle. For the avoidance of doubt, such fees become payable upon successful implementation of the Unwind Proposal that has been accepted by all Compression Clearing Members participating in that Multilateral Compression Cycle.

Fees itemised in this section 3.8.2.1 are stipulated in the Fees Schedule (see Appendix I to these Clearing Procedures). OTC Clear shall be entitled to make any changes to the Fees Schedule and, in addition, OTC Clear reserves the right to waive any fee or to charge any additional fee prescribed by it from time to time by notifying such waiver or additional fee to Clearing Members via Clearing Notice.

For the avoidance of doubt, no fees will be charged for the porting of Contracts and Collateral held by a Defaulting Clearing Member to a Replacement Clearing Member upon the occurrence of a DMP Event.

Chapter 4

Margin and Valuation

4.6.5 Margin Process in respect of a de-registration request, an Unwind Proposal and porting of Client Contracts

- (i) In respect of a de-registration request for a Contract and an Unwind Proposal, OTC Clear will process such de-registration request and Unwind Proposal only if, in respect of the Position Account to which the relevant Contract is recorded, subsequent to the de-registration of such Contract and/or Unwind Proposal:
 - (a) there remains sufficient Margin Balance in the corresponding Collateral Account to satisfy the Margin requirement relating to Contracts remaining in such Position Account; and
 - (b) the Position Limits of such Position Account would not be breached
- (ii) In respect of (a) any porting of Client Contracts following a DMP Event or (b) the porting of Contracts relating to Clients pursuant to Clearing Rule 825, OTC Clear will process such porting request only if:
 - (a) (in the case where not all the Contracts recorded in the same Position Account are to be ported) there is sufficient Margin Balance in the corresponding Collateral Account to satisfy the Margin requirement relating to Contracts remaining in such Position Account;
 - (b) in respect of the Position Account to which the relevant Contract is recorded, subsequent to the porting of such Contract, there is or will be sufficient Margin Balance in the corresponding Collateral Account to satisfy the revised Margin requirement relating to such Position Account; and
 - (c) the Position Limits of the relevant Position Accounts of the Clearing Member, Transferor Clearing Member, the Transferee Clearing Member and/or the Replacement Clearing Member as applicable would not be breached.

Appendix I

Fees Schedule

(xi) Multilateral Compression Fees

Contract Type	Multilateral Compression Fee
Standard Rates Derivatives Contract	In respect of each Eligible Compression Contract forming part of an accepted Unwind Proposal which is a Standard Rates Derivatives Contract, 0.0003% of the reduction in the notional amount of each such Contract. If an Eligible Compression Contract is terminated in full, the Multilateral Compression Fee shall be 0.0003% of the notional amount of that Contract.
Non Deliverable Rates Derivatives Contract	In respect of each Eligible Compression Contract forming part of an accepted Unwind Proposal which is a Non Deliverable Rates Derivatives Contract, 0.0003% of the reduction in the notional amount of each such Contract. If an Eligible Compression Contract is terminated in full, the Multilateral Compression Fee shall be 0.0003% of the notional amount of that Contract.
Standard Cross-currency Rates Derivatives Contract	In respect of each Eligible Compression Contract forming part of an accepted Unwind Proposal which is a Standard Cross-currency Rates Derivatives Contract, 0.00096% of the reduction in the notional amount of the USD leg of each such Contract. If an Eligible Compression Contract is terminated in full, the Multilateral Compression Fee shall be 0.00096% of the notional amount of the USD leg of that Contract.

OTC Clear Clearing Procedures

Chapter 3

Rates and FX Clearing Services

3.4.2.12 Payment Date

- (i) Original Standard Rates Derivatives Transaction and Original Standard Cross-currency Rates Derivatives Transaction

With regard to both an Original Standard Rates Derivatives Transaction and Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if:

- (a) with respect to the Floating Amount Payer (or if a Fixed Amount Payer is not applicable to that Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction, then with respect to each Floating Amount Payer), the frequency of payment of each Floating Amount payable by such Floating Amount Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Floating Amount payable by such Floating Amount Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of such Floating Amount Payer; or
- (2) the same as the interval of the Calculation Period of the Floating Amount payable by such Floating Amount Payer during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of such Floating Amount Payer to which stub is applicable;

(B)

- (1) where applicable, the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of such Floating Amount Payer if stub is inapplicable to any Calculation Period in respect of such Floating Amount Payer; or

- (2) where applicable, the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the Calculation Period to which stub is applicable) in respect of such Floating Amount Payer;
 - (C) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
 - (D) three months if IMM Settlement Dates are applicable; and
- (b) the frequency of payment of each Fixed Amount (if applicable) being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)
 - (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed Amount Payer;
 - (2) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Standard Rates Derivatives Transaction or Original Standard Cross-currency Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Fixed Amount Payer to which stub is applicable; or
 - (3) once at the maturity of that particular Original Standard Rates Derivatives Transaction as designated by the Clearing Member;
 - (B) one month, three months, six months, one year, or once at maturity if IMM Settlement Dates are inapplicable; and
 - (C) three months if IMM Settlement Dates are applicable;
- (ii) Original Non Deliverable Rates Derivatives Transaction

With regard to an Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Non Deliverable Rates Derivatives Transaction for registration only if:

 - (a) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY or INR, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)
 - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that

particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or

- (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;
- (B) one month, three months, six months or one year if IMM Settlement Dates are inapplicable; and
- (C) three months if IMM Settlement Dates are applicable;
- (b1) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in KRW, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:
 - (A)
 - (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
 - (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;
 - (B) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to the Floating Amount payable by the Floating Amount Payer; and
 - (C) three months only;
- (b2) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in MYR or TWD, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
- (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;

(B)

- (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Amount Payer if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
- (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the Calculation Period to which stub is applicable) in respect of the Floating Amount Payer; and

(C) three months only;

- (c) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in THB, the frequency of payment of each Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
- (2) the same as the interval of the Calculation Period of the Floating Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Floating Amount Payer to which stub is applicable;

(B)

- (1) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period in respect of the Floating Amount Payer if stub is inapplicable to any Calculation Period in respect of the Floating Amount Payer; or
- (2) the same as the Designated Maturity elected for the relevant Floating Rate Option applicable to each Calculation Period (other than the Calculation Period to which stub is applicable) in respect of the Floating Amount Payer; and

(C) six months only;

- (d) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in CNY, INR, KRW, MYR or TWD, the frequency of payment of each Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed Amount Payer;
- (2) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Fixed Amount Payer to which stub is applicable; or
- (3) once at maturity of that particular Original Non Deliverable Rates Derivatives Transactions as designated by the Clearing Member;

(B) one month, three months, six months, one year or once at maturity if IMM Settlement Dates are inapplicable; and

(C) three months if IMM Settlement Dates are applicable; and

- (e) in respect of an Original Non Deliverable Rates Derivatives Transaction which is denominated in THB, the frequency of payment of each Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members is:

(A)

- (1) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members if stub is inapplicable to any Calculation Period in respect of the Fixed Amount Payer;
- (2) the same as the interval of the Calculation Period of the Fixed Amount being payable during the term of that particular Original Non Deliverable Rates Derivatives Transaction as designated by the Clearing Members other than the interval of the Calculation Period in respect of the Fixed Amount Payer to which stub is applicable; or
- (3) once at maturity of that particular Original Non Deliverable Rates Derivatives Transactions as designated by the Clearing Member;

(B) one month, three months, six months, one year or once at maturity;

- (iii) Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction

With regard to both an Original Standard Rates Derivatives Transaction and Original Non Deliverable Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if such Original Transaction is submitted to OTC Clear for registration prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day that falls at least one OTC Clear Clearing Day prior to any forthcoming Payment Date of that Original Transaction; and

- (iv) Original Standard Cross-currency Rates Derivatives Transaction

With regard to an Original Standard Cross-currency Rates Derivatives Transaction, OTC Clear will accept such Original Transaction for registration only if such Original Transaction is submitted to OTC Clear for registration prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day (other than Initial Exchange Date in respect of Initial Exchange Amount (if applicable) which is set out in section 3.4.2.28 and Payment Dates) that falls at least one OTC Clear Clearing Day prior to any forthcoming Payment Date of that Original Transaction.

- (v) OTC Clear will accept Original Standard Rates Derivatives Transactions, Original Standard Cross-currency Rates Derivatives Transactions and Original Non Deliverable Rates Derivatives Transactions for registration only if Section 2.3.6(i)(a) of the ISDA Definitions applies such that if the Modified Following Business Day Convention or the Preceding Business Day Convention applies to any Payment Date and that date would otherwise fall on a day that is not a Business Day as a result of an Unscheduled Holiday, then in respect of such Payment Date (including where the Period End Date or the Termination Date is a Payment Date), that date will instead fall on the first following day that is a Business Day, notwithstanding the provisions of Section 2.3.3 (*Modified Following Business Day Convention*) and Section 2.3.4 (*Preceding Business Day Convention*) of the ISDA Definitions.

3.4.2.13 Fixed Amount

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction to which Fixed Amount is applicable only if a Fixed Rate is specified and such rate is:

- (i) the same for each Calculation Period; and
- (ii) an integer or a number rounded up to seven or less decimal points.

For the avoidance of doubt, no amount should be specified as the Fixed Amount.

3.4.2.17 Additional Payment

“**Additional Payment**” as used in this Chapter 3 means any additional payment specified in an Original Standard Rates Derivatives Transaction, an Original Standard Cross-currency Rates Derivatives Transaction and an Original Non Deliverable Rates Derivatives Transaction as being payable by the relevant Clearing Member(s) pursuant to the terms therein, and forming part of the Contract Terms upon registration of the Original Transaction.

OTC Clear will only accept an Original Non Deliverable Rates Derivatives Transaction for registration if no Additional Payment is specified in the terms of such Original Non Deliverable Rates Derivatives Transaction.

OTC Clear will accept for registration an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction regardless of whether Additional Payment is applicable or not.

If Additional Payment is applicable to an Original Standard Rates Derivatives Transaction and an Original Standard Cross-currency Rates Derivatives Transaction, however, OTC Clear will accept that particular Original Transaction for registration only if:

- (i) the financial center(s) elected for the purpose of determining the Payment Date(s) for Additional Payment(s) are as follows:

Currencies for settlement for Additional Payments	Financial center
USD	New York
EUR	TARGET
HKD	Hong Kong
CNY (offshore)	Beijing and Hong Kong

- (ii) the Business Day Convention elected for the purpose of determining the Payment Date(s) for Additional Payment(s) is Following;
- (iii) the currency for settlement of an Additional Payment is (a) the same as the Contractual Currency for such Original Standard Rates Derivatives Transaction or (b) one of the Contractual Currencies for such Original Standard Cross-currency Rates Derivatives Transaction;
- (iv) such Original Transaction is submitted to OTC Clear for registration:

- (a) prior to 19:00 hours Hong Kong time on an OTC Clear Clearing Day that falls at least one OTC Clear Clearing Day prior to a forthcoming Payment Date of any Additional Payment of that particular Original Transaction; or
- (b) after the Payment Date of any Additional Payment of that particular Original Transaction;
- (v) the Payment Date for any Additional Payment falls on any day from and including the Effective Date to and including the Termination Date; and
- (vi) the payer and receiver of any Additional Payment payable under an Original Standard Rates Derivatives Transaction or an Original Standard Cross-currency Rates Derivatives Transaction are the Clearing Members who are counterparties to such Original Transaction.

For the avoidance of doubt, there is no limitation on the number of Additional Payments.

OTC Clear Clearing Procedures

Chapter 3

Rates and FX Clearing Services

3.3 Process of Registration and Rejection

3.3.1 Creation of Contracts through Submission of Original Transactions by Clearing Members - Status of Registration of a Transaction and Notification of Results

Any Original Transaction submitted by a Clearing Member (or by a Designated Person on its behalf) to OTC Clear for registration is required to satisfy the Eligibility Requirements.

In respect of an Original Transaction submitted for registration before 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will, at various times throughout such OTC Clear Clearing Day save for the one hour between 12:00 hours Hong Kong time and 13:00 hours Hong Kong time, perform both product eligibility requirement checks set out in section 3.4 and the “Margin Process” set out in section 4.6 of these Clearing Procedures on such Original Transaction.

In respect of an Original Transaction submitted to OTC Clear for registration on a day which is not an OTC Clear Clearing Day, or at or after 19:00 hours Hong Kong time on an OTC Clear Clearing Day, OTC Clear will perform product eligibility requirements checks set out in section 3.4 and the “Margin Process” set out in section 4.6 of these Clearing Procedures on such Original Transaction on the immediately following OTC Clear Clearing Day.

If an Original Transaction does not satisfy the applicable product eligibility requirements as set out in section 3.4, or if it contains any invalid or incomplete trade data, such Original Transaction will be rejected and will not go through the “Margin Process” as set out in section 4.6 of these Clearing Procedures. The result will be communicated to the relevant Approved Trade Registration System.

If an Original Transaction satisfies the applicable product eligibility requirements set out in section 3.4, but does not satisfy the “Margin Process” as set out in section 4.6 of these Clearing Procedures, such Original Transaction will be put on “pending” status in the Rates and FX Clearing System. The result will be communicated to the relevant Approved Trade Registration System. The transaction will be flagged as “WAIT_MARGIN”, “LIMIT_FAILED” or “PROCESSING” in the “OTC Clear Trade Report (Report Number TDRP03, TDRP04 or TDRP12)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C or TDRP12_C)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP03, TDRP04, or TDRP12)” and “OTC Clear Trade Report for Client (Report Number TDRP03_C, TDRP04_C or TDRP12_C)” are available to the Clearing Members on the Web Portal.

Any Original Transaction that is not accepted for registration at or before 19:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected by OTC Clear and must be resubmitted.

The result of rejection will be communicated to the relevant Approved Trade Registration System. The transaction will be flagged as “REJECTED” in the “OTC Clear Trade Report (Report Number TDRP05, TDRP06 or TDRP13)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP05_C, TDRP06_C or TDRP13_C)” in relation to any Client Position Account. Both

“OTC Clear Trade Report (Report Number TDRP05, TDRP06 or TDRP13)” and “OTC Clear Trade Report for Client (Report Number TDRP05_C, TDRP06_C or TDRP13_C)” are available to the Clearing Members on the Web Portal.

If an Original Transaction satisfies all applicable Eligibility Requirements, such Original Transaction will be registered by OTC Clear as two Contracts. The result will be communicated to the relevant Approved Trade Registration System. A unique trade identification number will be assigned to each such Contract, and such trade identification number will be published in the “OTC Clear Trade Report (Report Number TDRP01, TDRP02, or TDRP11)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” in relation to any Client Position Account. Both “OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)” and “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” are available to the Clearing Members on the Web Portal. In addition, the Original Transaction submitted for registration will be flagged as “CLEARED” in such “OTC Clear Trade Report (Report Number TDRP01, TDRP02 or TDRP11)” or “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)”.

3.6.2 Process of De-registration

In respect of de-registration requests which fulfil the conditions set out in section 3.6.1 (ii), the following procedures shall apply:

- (i) prior to submitting the de-registration request to OTC Clear, the Clearing Member shall identify and select the relevant Contracts for de-registration from the “OTC Clear Compression Report (Report Number COMP01 and COMP01_C)” published at approximately 20:30 hours Hong Kong time on such OTC Clear Clearing Day available to the Clearing Members on the Web Portal;
- (ii) the Clearing Member shall submit a request for de-registration to OTC Clear before 11:30 hours Hong Kong time on an OTC Clear Clearing Day. Any request which is submitted (a) on a day other than an OTC Clear Clearing Day or (b) after 11:30 hours Hong Kong time on such OTC Clear Clearing Day will be rejected;
- (iii) Clearing Members are able to check the status of the de-registration requests through the Web Portal. The relevant information will be updated in “OTC Clear Compression Report (Report Number COMP02 and COMP02_C)” available at the Web Portal by 14:30 hours Hong Kong time on each OTC Clear Clearing Day; and
- (iv) if such request is approved by OTC Clear, the de-registration request will be processed by OTC Clear on the same day.

If a de-registration request does not satisfy the conditions set out in section 3.6.1, or if it contains any invalid or incomplete trade data, such de-registration request will be rejected and will not go through the “Margin Process” as set out in section 4.6 of these Clearing Procedures. The result will be communicated to Clearing Members via an acceptable medium designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice but will not be made available to the Clearing Members on the Web Portal.

If a de-registration request satisfies all conditions set out in section 3.6.1 and “Margin Process” as set out in section 4.6 of these Clearing Procedures, such Contracts will be de-registered by OTC Clear. The result will be communicated to Clearing Members via an acceptable medium designated by OTC Clear from time to time and notified to Clearing Members via Clearing Notice but will not be made available to Clearing Members on the Web Portal. In addition, the relevant Contracts submitted for de-registration will be flagged as “DECLEARED” in such “OTC Clear Trade Report (Report Number TDRP01, TDRP02

or TDRP11)” in relation to any House Position Account or “OTC Clear Trade Report for Client (Report Number TDRP01_C, TDRP02_C or TDRP11_C)” in relation to any Client Position Account.

Save and except for the operation of section 3.8.1 and any fees due but unpaid by the relevant Clearing Member to OTC Clear (including the de-registration fee):

- (i) any Contract that has been de-registered shall have no further force or effect thereafter; and
- (ii) the rights and obligations of each of OTC Clear and the relevant Clearing Member under the Contract being de-registered shall be fully relinquished and discharged with effect from the time such Contract is de-registered.

Any de-registered transaction can be submitted for registration again, and subject to the Eligibility Requirements applicable to the relevant transaction.

Cancellation, novation or any other fees which have been agreed between the relevant Clearing Members who are counterparties to the particular Contract in connection with a de-registration request shall not be processed by OTC Clear.

3.9.1 Procedure for Voluntary Withdrawal of Cash Collateral representing Excess Margin and Rates and FX Contribution Excess

The following procedures apply to voluntary withdrawal of cash Collateral by a Clearing Member in respect of its Excess Margin, and its Rates and FX Contribution Excess:

- (i) prior to requesting withdrawal of any cash Collateral then deposited with OTC Clear for the purpose of satisfying its Margin requirements, the Clearing Member should check and ensure there is a positive cash balance (after taking into account any Collateral Concentration Limit(s) set out in section 7.4 of these Clearing Procedures) standing to the credit of its relevant House Collateral Account or Client Collateral Account, as the case may be, representing Excess Margin;
- (ii) prior to requesting withdrawal of any cash Collateral then deposited with OTC Clear for the purpose of satisfying its Rates and FX Liability, the Clearing Member should check and ensure there is a positive cash balance standing to the credit of its GF Account representing Rates and FX Contribution Excess;
- (iii) the Clearing Member shall input a request for withdrawal via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a “**Withdrawal Notice**”) via the collateral management window of the Web Portal that it wishes to withdraw any part of such Excess Margin under this section 3.9.1(iii).

Any request which is submitted on a day other than a day that is both a Currency Day relating to the relevant cash Collateral and an OTC Clear Business Day or after 12:00 hours Hong Kong time on such day will be rejected; and

- (iv) if such withdrawal is approved by OTC Clear:

- (a) the amount of withdrawal will be deducted from the cash balance of the House Collateral Account, Client Collateral Account or the GF Account, as the case may be, relating to the Clearing Member once such request is processed by OTC Clear; and
- (b) OTC Clear will make the payment for value on the same day by the cash settlement method described in section 3.11.1.

For the avoidance of doubt, any request for withdrawal of cash Collateral which is designated with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear.

Clearing Members are able to monitor the progress of their withdrawal requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 19:00 hours Hong Kong time on each OTC Clear Business Day.

3.9.3 Procedure for porting of Cash Collateral representing Excess Margin

The following procedures apply to porting of cash Collateral by a Clearing Member representing Excess Margin in its House Collateral Account to any of its Client Collateral Accounts. For the avoidance of doubt, porting of Excess Margin in a Client Collateral Account at a Clearing Member to satisfy Margin requirements in respect of another Client Position Account of that Clearing Member and porting of Excess Margin amongst Client Collateral Accounts of that Clearing Member is prohibited:

- (i) prior to requesting porting of any cash Collateral then deposited with OTC Clear for the purpose of satisfying its Margin requirements from its House Collateral Account to any of its Client Collateral Accounts, a Clearing Member should check and ensure that there is a positive cash balance (after taking into account any Collateral Concentration Limit(s) set out in section 7.4 of these Clearing Procedures) standing to the credit of its House Collateral Account representing Excess Margin;
- (ii) a Clearing Member with cash Collateral representing Excess Margin in its House Collateral Account may input a request for porting of such Excess Margin to any of its Client Collateral Accounts via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on a day that is both a Currency Day for the currency of the relevant cash Collateral and an OTC Clear Business Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a "**Porting Notice**") via the collateral management window of the Web Portal that it wishes to port any part of such Excess Margin under this section 3.9.3(ii).

Any request which is submitted after 12:00 hours Hong Kong time will be rejected and must be re-submitted on the next day that is both a Currency Day for the currency of the relevant cash Collateral and an OTC Clear Business Day. For the avoidance of doubt, any request for porting of cash Collateral with a value date for settlement other than the date on which such request is made will not be accepted or processed by OTC Clear;

- (iii) if such porting is approved by OTC Clear, the amount to be ported will be deducted from the cash balance of the relevant Clearing Member's House Collateral Account once such request has been processed by OTC Clear;
- (iv) OTC Clear will endeavour to effect the porting for value on the same day; and

- (v) upon receipt of confirmation by OTC Clear from its settlement bank that the transfer has been completed, OTC Clear will reflect the cash increase in the balance of the relevant Client Collateral Account of the relevant Clearing Member.

Porting of cash Collateral: (a) from the GF Account to the House Collateral Account or any Client Collateral Account, (b) from any Client Collateral Account to the House Collateral Account or the GF Account, (c) from the House Collateral Account to the GF Account or (d) amongst Client Collateral Accounts, is not allowed.

Cash Collateral representing Excess Margin ported from a Clearing Member's House Collateral Account to a Client Collateral Account on a particular OTC Clear Clearing Day will not be available in time to satisfy Margin calls made in respect of the corresponding Client Position Account on that OTC Clear Clearing Day.

Clearing Members are able to monitor the progress of their transfer requests on a daily basis through the Web Portal. The relevant information will be updated on the Web Portal by 19:00 hours Hong Kong time on each OTC Clear Business Day.

3.9.4 Black Rainstorm Warning, Typhoon Signal Number 8 or Extreme Conditions

If a level "black" of the rainstorm warning system (a "**Black Rainstorm Warning**") or a number 8 tropical cyclone warning signal (a "**Typhoon Signal Number 8**") or above is issued by The Hong Kong Observatory or the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal Number 8 or above is lowered to a number 3 tropical cyclone warning signal (a "**Typhoon Signal Number 3**") or below by The Hong Kong Observatory, the special arrangement as set out in section 9.5 of these Clearing Procedures will apply and the operation of the procedures set out in this section 3.9 shall be construed accordingly.

3.10.2. Procedures for Voluntary Withdrawal of Non-Cash Collateral representing Excess Margin

The following procedures apply to voluntary withdrawal of non-cash Collateral by a Clearing Member representing Excess Margin:

- (i) prior to requesting withdrawal of any non-cash Collateral then deposited with OTC Clear, the Clearing Member should ensure that there is a positive balance of the relevant security represented by the relevant international securities identification number assigned by the International Securities Identification Numbers Organization ("**ISIN code**") standing to the credit of its House Collateral Account or relevant Client Collateral Account, as the case may be, and that such Collateral represents Excess Margin;
- (ii) the Clearing Member shall input a request for withdrawal of the relevant security via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on an OTC Clear Clearing Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a "**Non-cash Collateral Withdrawal Notice**") via the collateral management window of the Web Portal that it wishes to withdraw any part of such Excess Margin under this section 3.10.2(ii).

Each withdrawal request must specify: (a) the ISIN code of each relevant non-cash Collateral that it is seeking to withdraw, (b) the notional amount of each such Collateral that it is seeking to withdraw and (c) the value date for settlement;

(iii) in addition, each withdrawal request must comply with the following parameters:

Type of non-cash Collateral to be withdrawn	Value Date for Settlement to be specified in each withdrawal request	Minimum withdrawal amount
US Treasury Bills	one New York Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes	Where, “ New York Business Day ” means a day (other than Saturday and Sunday) on which commercial banks in New York City are open for general business.	USD100 and integral multiples of USD100 in excess thereof
Hong Kong Exchange Fund Bills	one Hong Kong Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	HKD500,000 and integral multiples of HKD500,000 in excess thereof
Hong Kong Exchange Fund Notes	Where, “ Hong Kong Business Day ” means a day (other than Saturday and Sunday) on which commercial banks in Hong Kong are open for general business.	HKD50,000 and integral multiples of HKD50,000 in excess thereof
Bonds issued by the Ministry of Finance of the People’s Republic of China denominated in CNY(offshore)	one day (which is both a Hong Kong Business Day and a Beijing Business Day) following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security. Where, “ Beijing Business Day ” means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.	CNY (offshore)500,000 and integral multiples of CNY (offshore)500,000 in excess thereof

(iv) a withdrawal request which does not comply with the above parameters or which is submitted after 12:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected and must be re-submitted on the next OTC Clear Clearing Day with the necessary amendments;

(v) if such withdrawal request is approved and processed by OTC Clear:

(a) the Margin Balance of the Clearing Member’s House Collateral Account or relevant Client Collateral Account, as the case may be, will be reduced to reflect the notional amount of securities withdrawn;

(b) OTC Clear will instruct CMU to deliver the relevant securities free of payment on the relevant value date for settlement specified in such withdrawal request in accordance with the latest standard delivery instructions (provided by the Clearing Member as set out in this section

3.10) in relation to its House Collateral Account or Client Collateral Accounts, as the case may be; and

(c) the Clearing Member should ensure that the information submitted to OTC Clear in the withdrawal request matches the details it submits to its receiving custodian. In the event of a discrepancy, delivery will fail; and

(vi) if such withdrawal request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal.

3.10.4 Procedures for Porting of Non-Cash Collateral representing Excess Margin

The following procedures apply to porting of non-cash Collateral by a Clearing Member representing Excess Margin in its House Collateral Account to any of its Client Collateral Accounts. For the avoidance of doubt, porting of Excess Margin amongst Client Collateral Accounts of a Clearing Member and porting of Excess Margin from a Client Collateral Account of a Clearing Member to the House Collateral Account of that Clearing Member is prohibited:

- (i) prior to requesting porting of any non-cash Collateral then deposited with OTC Clear, the Clearing Member should ensure that:
 - (a) there is a positive balance of the relevant security represented by the relevant ISIN code standing to the credit of its House Collateral Account, and that such Collateral represents Excess Margin; and
 - (b) any Collateral Concentration Limits imposed on it would not be exceeded upon the completion of such porting request;
- (ii) the Clearing Member shall input a request for porting of such Excess Margin to any of its Client Collateral Accounts via the collateral management window of the Web Portal before 12:00 hours Hong Kong time on an OTC Clear Clearing Day; provided that if the Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, it must give OTC Clear no less than three Business Days' prior notice (or such shorter notice period as determined by OTC Clear at its absolute discretion) (each a **"Non-cash Collateral Porting Notice"**) via the collateral management window of the Web Portal that it wishes to port any part of such Excess Margin under this section 3.10.4(ii).

Each porting request must specify: (a) the ISIN code of each relevant non-cash Collateral that it is seeking to port, (b) the notional amount of each such Collateral that it is seeking to port, (c) the value date for settlement and (d) the Client Collateral Account into which such Collateral is to be ported;

(iii) in addition, each porting request must comply with the following parameters:

Type of non-cash Collateral to be ported	Value Date for Settlement to be specified in each porting request	Minimum porting amount
US Treasury Bills	one New York Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	USD100 and integral multiples of USD100 in excess thereof
US Treasury Notes	Where, "New York Business Day" means a day (other than Saturday and Sunday) on which commercial banks in New York City are open for general business.	USD100 and integral multiples of USD100 in excess thereof

Type of non-cash Collateral to be ported	Value Date for Settlement to be specified in each porting request	Minimum porting amount
Hong Kong Exchange Fund Bills	one Hong Kong Business Day following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security.	HKD500,000 and integral multiples of HKD500,000 in excess thereof
Hong Kong Exchange Fund Notes	Where, " Hong Kong Business Day " means a day (other than Saturday and Sunday) on which commercial banks in Hong Kong are open for general business.	HKD50,000 and integral multiples of HKD50,000 in excess thereof
Bonds issued by the Ministry of Finance of the People's Republic of China denominated in CNY(offshore)	one day (which is both a Hong Kong Business Day and a Beijing Business Day) following the day on which such request is submitted, provided that such value date shall not fall on or after the maturity date of the relevant security. Where, " Beijing Business Day " means a day (other than Saturday and Sunday) on which commercial banks in Beijing are open for general business.	CNY (offshore) 500,000 and integral multiples of CNY (offshore) 500,000 in excess thereof

- (iv) a porting request which does not comply with the above parameters or which is submitted after 12:00 hours Hong Kong time on an OTC Clear Clearing Day will be rejected and must be re-submitted on the next OTC Clear Clearing Day with the necessary amendments;
- (v) a porting request which if processed would result in the Clearing Member breaching a Concentration Limit imposed on it will be rejected;
- (vi) if such porting request is rejected by OTC Clear, it will inform the Clearing Member via the Web Portal; and
- (vii) if such porting request is approved by OTC Clear, upon confirmation from CMU that the relevant securities have been transferred from OTC Clear's CMU account in which Collateral for Clearing Members' House Business is held to OTC Clear's CMU account in which Collateral for Clearing Members' Client Business is held, OTC Clear will update the Margin Balance of the Clearing Member's House Collateral Account and its relevant Client Collateral Account to reflect such porting. For the avoidance of doubt, the Clearing Member will continue to be responsible for complying with any Margin calls until the Margin Balance of the relevant Client Collateral Account has been updated, regardless of the value date on which such securities are transferred at CMU.

Clearing Members should be aware that non-cash Collateral representing Excess Margin ported from a Clearing Member's House Collateral Account to its Client Collateral Account on a particular OTC Clear Clearing Day will not be available in time to satisfy Margin calls made in respect of the corresponding Client Position Account on that OTC Clear Clearing Day.

Chapter 9

Special Events / Business Continuity

9.5.1 Black Rainstorm Warning

9.5.1.1 Deposit of Cash Collateral

- (i) if a Black Rainstorm Warning is issued on an OTC Clear Clearing Day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of settlement services to OTC Clear on such day;
- (ii) [Deleted]
- (iii) [Deleted]
- (iv) [Deleted]
- (v) [Deleted]
- (vi) [Deleted]

9.5.1.2 Withdrawal of Cash Collateral

- (i) if a Black Rainstorm Warning is issued prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (ii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled after 07:00 hours Hong Kong time but at or before 12:00 hours Hong Kong time, subject to sub-paragraphs (iii) and (iv) below, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (iii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 12:00 hours Hong Kong time and re-issued at or before 14:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day;
- (iv) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 12:00 hours Hong Kong time and re-issued after 14:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;

- (v) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled after 12:00 hours Hong Kong time, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day; or
- (vi) if a Black Rainstorm Warning is issued at or after 09:00 hours Hong Kong time on an OTC Clear Business Day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed.

9.5.1.3 Porting of Cash Collateral from the House Collateral Account of a Clearing Member to a Client Collateral Account of that Clearing Member

- (i) if a Black Rainstorm Warning is issued prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;
- (ii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled after 07:00 hours Hong Kong time but at or before 12:00 hours Hong Kong time, subject to sub-paragraphs (iii) and (iv) below, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;
- (iii) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 12:00 hours Hong Kong time and re-issued at or before 14:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will, notwithstanding section 3.9.3 of these Clearing Procedures, not be processed on that day;
- (iv) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled at or before 12:00 hours Hong Kong time and re-issued after 14:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;
- (v) if a Black Rainstorm Warning is issued prior to 09:00 hours Hong Kong time on an OTC Clear Business Day and is cancelled after 12:00 hours Hong Kong time, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will, notwithstanding section 3.9.3 of these Clearing Procedures, not be processed on that day; or
- (vi) if a Black Rainstorm Warning is issued at or after 09:00 hours Hong Kong time on an OTC Clear Business Day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these

Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed.

9.5.1.4 Porting of Cash Collateral from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member

- (i) if a Black Rainstorm Warning is issued on an OTC Clear Business Day, requests submitted for the porting of cash Collateral on such day from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member, as the case may be, will be processed by OTC Clear in accordance with section 3.17.6 or 3.18.2 of these Clearing Procedures on reasonable endeavour basis, respectively;
- (ii) [Deleted]
- (iii) [Deleted]
- (iv) [Deleted]
- (v) [Deleted]
- (vi) [Deleted]

9.5.2 Typhoon Signal Number 8 or Above or Extreme Conditions

9.5.2.1 Deposit of Cash Collateral

- (i) if a Typhoon Signal Number 8 or above is hoisted by The Hong Kong Observatory or Extreme Conditions are announced on an OTC Clear Clearing Day, any request which is submitted by a Clearing Member for deposit of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.2 of these Clearing Procedures on reasonable endeavour basis, subject to the availability of settlement services to OTC Clear on such day;
- (ii) [Deleted]
- (iii) [Deleted]
- (iv) [Deleted]

9.5.2.2 Withdrawal of Cash Collateral

- (i) if a Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon

Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 12:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed;

- (iii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and
 - (a) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 12:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced at or before 14:00 hours Hong Kong time on that day; or
 - (b) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 12:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will, notwithstanding section 3.9.1 of these Clearing Procedures, not be processed on that day; or

- (iv) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 12:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced after 14:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for withdrawal of cash Collateral on such day will be processed in accordance with section 3.9.1 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear and such Clearing Member in Hong Kong on the day such withdrawal is due to be processed.

9.5.2.3 Porting of Cash Collateral from the House Collateral Account of a Clearing Member to a Client Collateral Account of that Clearing Member

- (i) if a Typhoon Signal Number 8 or above is hoisted or Extreme Conditions are announced prior to 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or prior to 07:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;
- (ii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 12:00 hours Hong Kong time on that day, subject to sub-paragraphs (iii)(a) and (iv) below, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed by OTC Clear in accordance with section 3.9.3 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed;

- (iii) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and
 - (a) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 12:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced at or before 14:00 hours Hong Kong time on that day; or
 - (b) the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) after 12:00 hours Hong Kong time on that day,

any request which is submitted by a Clearing Member for porting of cash Collateral on such day will, notwithstanding section 3.9.3 of these Clearing Procedures, not be processed on that day; or

- (iv) if a Typhoon Signal Number 8 or above or Extreme Conditions are in effect at or after 07:00 hours Hong Kong time on an OTC Clear Business Day and the typhoon is lowered to a Typhoon Signal Number 3 or below and Extreme Conditions are cancelled (where applicable) at or before 12:00 hours Hong Kong time on that day and the typhoon is re-hoisted or Extreme Conditions are re-announced after 14:00 hours Hong Kong time on that day, any request which is submitted by a Clearing Member for porting of cash Collateral on such day will be processed in accordance with section 3.9.3 of these Clearing Procedures on reasonable endeavour basis and subject to the availability of banking services to OTC Clear in Hong Kong on the day such transfer is due to be processed.

9.5.2.4 Porting of Cash Collateral from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member

- (i) if a Typhoon Signal Number 8 or above is hoisted by The Hong Kong Observatory or Extreme Conditions are announced on an OTC Clear Business Day, requests submitted for the porting of cash Collateral on such day from a Client Account opened with a Transferor Clearing Member to a Client Account opened with a Transferee Clearing Member or amongst Client Accounts of a Clearing Member, as the case may be, will be processed by OTC Clear in accordance with section 3.17.6 or 3.18.2 of these Clearing Procedures on reasonable endeavour basis, respectively;
- (ii) [Deleted]
- (iii) [Deleted]
- (iv) [Deleted]

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OTC Clear Clearing Procedures

Chapter 6

Rates and FX Guarantee Resources

6.1 Rates and FX Guarantee Resources

The Rates and FX Guarantee Resources comprise the Rates and FX Guarantee Fund, Rates and FX Assessments and OTC Clear Contribution. The amounts and type(s) of Collateral delivered by a Clearing Member as its Rates and FX Contribution will be recorded by OTC Clear in the GF Account relating to such Clearing Member.

6.1.1 Rates and FX Guarantee Fund

The CM Funded Contribution Amount for each Clearing Member will be determined by OTC Clear on each Rates and FX Contribution Determination Date, being an amount equal to the greater of:

- (i) HK\$ 50 million or equivalent (after applying Collateral Haircuts on Collateral), being the Rates and FX Minimum Contribution Amount; and
- (ii) the product of:
 - (a) 110% of the highest Max EUL value amongst the Max EUL values determined on each OTC Clear Clearing Day falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date (Max EUL is defined and determined pursuant to section 6.1.1(6), as modified by section 6.1.1(8) if Client Clearing Services are provided by one or more Clearing Members on OTC Clear Clearing Days falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date); and
 - (b) the average of the relative pro-rata percentage shares relating to such Clearing Member determined in respect of each OTC Clear Clearing Day falling within the GF Calculation Period relating to such Rates and FX Contribution Determination Date, where:

“GF Calculation Period” means, with respect to a Rates and FX Contribution Determination Date occurring on the first or second OTC Clear Business Day of a calendar month pursuant to Clearing Rule 1503(1), each OTC Clear Clearing Day falling within the immediately preceding calendar month; and with respect to a Rates and FX Contribution Determination Date occurring on any other day pursuant to Clearing Rule 1503(2) or 1503(3), each OTC Clear Clearing Day falling within the calendar month in which such Rates and FX Contribution Determination Date falls up to (but excluding) such Rates and FX Contribution Determination Date.

While the resizing of the CM Funded Contribution Amount for each Clearing Member will only be performed on each Rates and FX Contribution Determination Date as defined in, and pursuant to, Clearing Rule 1503, OTC Clear will perform, for risk monitoring purposes, stress testing and calculation of the relevant pro-rata percentage share and the Daily GF Value with Reserve in respect of each Clearing Member on each OTC Clear Clearing Day.

Below is an illustrative example to show how the relative pro-rata percentage share and the Daily GF Value with Reserve are determined for each Clearing Member on OTC Clear Clearing Day “X”:

Clearing Member	Position Account STV ^(2a)	Position Account Stress Add-on ^(2b)	Margin Balance ⁽³⁾ of Clearing Member	Expected Uncollateralized Loss ⁽⁴⁾	Relative pro-rata percentage share ⁽⁵⁾	Daily GF Value ⁽⁶⁾	Daily GF Value with Reserve ⁽⁷⁾
A	1,000	80	630	450	25.00%	125.00	137.50
B	300	20	120	200	11.11%	55.56	61.11
C	500	50	300	250	13.89%	69.44	76.39
D	800	100	400	500	27.78%	138.89	152.78
E	600	60	460	200	11.11%	55.56	61.11
F	400	20	220	200	11.11%	55.56	61.11
Total				1,800	100%	500	550

(1) Assumptions

There are six Clearing Members A, B, C, D, E, and F, and none of these six Clearing Members engages in Client Clearing Services. As such, in this illustrative example, in respect of each Clearing Member, OTC Clear will perform the calculations set out in parameters (2a), (2b), (3) and (4) below on such Clearing Member's House Position Account.

Parameter (8) below explains how the Expected Uncollateralized Loss with respect to a Clearing Member may be different in case a Clearing Member engages in Client Clearing Services.

(2a) Position Account STV

In respect of each Clearing Member and an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

- (i) the net present value of each Position Account of each Clearing Member (the "**Base NPV**"); and
- (ii) the net present value of each Position Account of each Clearing Member under each stress scenario prescribed by the stress test model prescribed by OTC Clear as described further in section 6.3. The stress test value derived for 6.3 (each a "**Stress NPV**").

In respect of each Position Account of a Clearing Member on an OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress NPV against the Base NPV) for that Position Account on that day is referred to as the "**Position Account STV**".

(2b) Position Account Stress Add-on

In respect of each Clearing Member and an OTC Clear Clearing Day, OTC Clear will determine, at the End-of-Day Cut Off Time on such OTC Clear Clearing Day:

- (i) the net present value of each Position Account and Collateral Account excluding Excess Margin of each Clearing Member (the "**Base XNPV**"); and
- (ii) the net present value of each Position Account and Collateral Account excluding Collateral provided in respect of Excess Margin of each Clearing Member under each

stress scenario prescribed by the stress test model prescribed by OTC Clear as described further in section 6.3. the stress test value derived for section 6.3 (each a “**Stress XNPV**”).

In respect of each Position Account and Collateral Account excluding Excess Margin of a Clearing Member on an OTC Clear Clearing Day, the absolute value of the largest decrease in net present value (determined by comparing each Stress XNPV against the Base XNPV) for that Position Account on that day is referred to as the “**Position and Collateral Account STV**”.

Unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, Excess Margin shall be excluded in the calculation of Stress XNPV and Position and Collateral Account STV. For the avoidance of doubt, if such Clearing Member has submitted a Withdrawal/Porting Notice or a Non-cash Collateral Withdrawal/Porting Notice, the amount set out in such notice shall be excluded from such calculation from the date of such notice.

In respect of each Position Account of a Clearing Member on an OTC Clear Clearing Day, the increase in the largest net present value (determined by comparing Position and Collateral Account STV against the Position Account STV) for that Position Account after taking Collateral Account into account on that day is referred to as the “**Collateral Stress Add-on**”.

In addition to the Collateral Stress Add-on, OTC Clear may apply other stress add-ons, including but not limited to those relating to the risk parameters under Clearing Procedures 4.2.3, 4.5.2(vii), 4.5.2(viii) and 4.5.3, at the End-of-Day Cut Off Time on each OTC Clear Clearing Day. The aggregate of any Collateral Stress Add-on and such other stress add-ons in respect of each Position Account of a Clearing Member shall be regarded as the “**Position Account Stress Add-on**”.

(3) Margin Balance

In the illustrative example, Margin Balance excludes any additional Collateral provided under Clearing Rule 1510 and any Additional Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit and it is assumed that there is no Excess Margin with respect to the Clearing Member’s House Position Account.

(4) Expected Uncollateralized Loss

On each OTC Clear Clearing Day, OTC Clear will then determine the Position Account EUL for each Position Account of each Clearing Member, where:

“**Position Account EUL**” means, with respect to a Position Account of a Clearing Member and an OTC Clear Clearing Day, an amount equal to (A) the Position Account STV plus (B) Position Account Stress Add-on less (C) the Margin Balance (excluding (i) any Excess Margin, unless a Clearing Member has opted to utilize its Excess Margin to reduce the Expected Uncollateralized Loss in respect of any of its Position Accounts in accordance with Clearing Rule 1218A, in which case Excess Margin shall be included”, (ii) any additional Collateral provided under Clearing Rule 1510 and (iii) any Additional

* For the avoidance of doubt, if such CM has submitted a Withdrawal/ Porting Notice or a Non-cash Collateral Withdrawal/ Porting Notice, the amount set out in such notice shall be excluded from the Margin Balance from the date of such notice.

Margin provided to cure any exceedance of or reduce utilisation of a Notional Exchange Risk Limit) recorded to the Collateral Account relating to such Position Account, each determined as of the End-of-Day Cut Off Time on such OTC Clear Clearing Day.

In this illustrative example where none of the Clearing Members engages in Client Clearing Services, the “**Expected Uncollateralized Loss**” for each such Clearing Member is the Position Account EUL relating to its House Position Account. If a Clearing Member engages in Client Clearing Services, the “**Expected Uncollateralized Loss**” for such Clearing Member is the sum of the Position Account EUL relating to its House Position Account and the aggregate of the Position Account EULs with positive values relating to all such Clearing Member’s Client Accounts.

(5) Relative pro-rata percentage share

The “**relative pro-rata percentage share**” means, with respect to a Clearing Member and an OTC Clear Clearing Day, the Expected Uncollateralized Loss with respect to such Clearing Member on such day divided by the total Expected Uncollateralized Loss with respect to all Clearing Members on such day. In the illustrative example, since the total Expected Uncollateralized Loss for all six Clearing Members is 1,800, the relative pro-rata percentage share of each Clearing Member will be a percentage equal to such Clearing Member’s Expected Uncollateralized Loss divided by the total Expected Uncollateralized Loss of 1,800. In the case of Clearing Member A, its relative pro-rata percentage share is 25% (being 450/1800) on OTC Clear Clearing Day “X”.

(6) Daily GF Value

In respect of each Clearing Member and an OTC Clear Clearing Day, OTC Clear will determine the “**Daily GF Value**” for such Clearing Member on such day to be the product of the Max EUL and such Clearing Member’s relative pro-rata percentage share on such day, where “**Max EUL**” means, on any given OTC Clear Clearing Day, an amount equal to the greater of:

- (i) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members under the same stress scenario within the GF Calculation Period; and
- (ii) the largest Expected Uncollateralized Loss amount amongst all the Expected Uncollateralized Loss amounts calculated with respect to all Clearing Members under the same stress scenario within the GF Calculation Period, with the following modifications:
 - (a) the Expected Uncollateralized Loss amount of all Clearing Members who are Affiliates of one another shall be aggregated with the Expected Uncollateralized Loss amount of the largest Affiliate; and
 - (b) the selection of the largest Expected Uncollateralized Loss amount is made on a revised pool excluding the Expected Uncollateralized Loss amounts determined in respect of the smaller Affiliated Clearing Members.

(7) Daily GF Value with Reserve

The “**Daily GF Value with Reserve**” in respect of a Clearing Member will be calculated on each OTC Clear Clearing Day by multiplying the Daily GF Value of such Clearing Member determined on such day by 110%. In the case of Clearing Member A, its Daily GF Value with Reserve is 137.5 (being 125 X 110%) on OTC Clear Clearing Day “X”.

(8) Client Clearing Services

With respect to any Clearing Member who engages in Client Clearing Services:

- (i) OTC Clear will determine the Position Account STV, Position Account Stress Add-on, Margin Balance and Position Account EUL for each Client Position Account of such Clearing Member in exactly the same manner as described in parameters (2a), (2b), (3) and (4) above;
- (ii) the “**Expected Uncollateralized Loss**” for such Clearing Member shall be the sum of:
 - (a) the Position Account EUL relating to its House Position Account; and
 - (b) the aggregate of the Position Account EULs with positive values relating to all Clearing Member’s Client Accounts.