



Default Management Rule Changes

**Consultation on amendments to ASX
Clear Operating Rules to
Introduce an Auction Framework for
cleared Cash Market and Derivatives
Market products**

27 November 2024

Invitation to comment

ASX is seeking submissions in response to this consultation paper by Friday 14 February 2025.

Submissions should be sent to:
E alistair.wright@asx.com.au

If you would like your submission, or any part of it, to be treated as confidential, please indicate this clearly in your submission. ASX may publish the non-confidential submissions it receives in whole or on a summary basis. Where a submission, or part thereof, is marked confidential ASX will consider publishing the content on a summarised and anonymised basis. Where ASX is required by a regulator or otherwise required by law to publish a submission it has received, ASX will use its best endeavours to advise the submitted ahead of the production of that submission. ASX is available to meet with interested parties for bilateral discussions on this Consultation.

Contacts

For general enquiries, please contact:

Alistair Wright
Manager, Default Management
alistair.wright@asx.com.au

Media enquiries, please contact:

Mr David Park
Manager, Media and
Communications
T 02 9227 0010
E David.Park@asx.com.au

Contents

1. Introduction	3
2. Proposed Auction Framework	3
2.1. Background	3
2.2. Key Features of the Auction Framework	4
2.2.1 Participation in default management auctions	4
2.2.2 Auction Pools and Auction Format	4
2.2.3 Bids	5
2.2.4 Operational Considerations	5
2.2.5 Auction Results	6
3. Next Steps	6
Attachments	8

Consultation on amendments to ASX Clear Operating Rules to introduce a Framework for Default Management Auctions of cleared Cash Market and Derivatives Market Products

August 2024

1. Introduction

ASX has reviewed the current rule framework and operational requirements that facilitate default management processes to restore a matched book in a default event. The review identified the need to update the ASX Clear Operating Rules and Procedures (the “**ASXCL Operating Rules**”) to introduce a clear and transparent framework for the auctioning of cleared Cash Market and Derivatives Market products by ASX Clear (“**ASXCL**”) in the event that a clearing participant defaults.

This consultation paper seeks feedback from stakeholders on the proposed amendments to the ASXCL Operating Rules included as Attachment A.

Subject to consultation feedback and regulatory clearance, ASX will aim to implement the amendments to the ASXCL Operating Rules in Q2 2025.

Responses to this Consultation Paper should be submitted to ASX by Friday 14 February 2025.

2. Proposed Auction Framework

2.1. Background

In the event of a default by a Clearing Participant, ASXCL has a number of options to manage its exposure to the positions of that defaulted Clearing Participant. The most common method used by ASX for ASXCL products is to “close out” positions by entering into equal and opposite transactions by using a default broker.

However, there are situations where it may be more appropriate for ASXCL to conduct an auction process to “re-establish” a matched book. This may include (but not be limited to) situations where the:

- expected time to restore a matched book is quicker via an auction process;
- portfolio contains a large volume of positions and closing each position individually would be inefficient and time consuming; or
- portfolio contains relatively illiquid positions and auctioning is the most efficient manner to restore a matched book.

The aim of the proposed amendments outlined in this paper is to enhance ASXCL’s default management framework to facilitate the holding of default management auctions and provide clarity to the market on the process and procedures underpinning the auction framework.

ASXCL does not currently intend that participation in ASXCL auctions will be mandatory. However, as is the case for any default management process, the active involvement of participants in the auction is important to ensure a successful and timely restoration of the matched book.

2.2. Key Features of the Auction Framework

This section outlines the key features of the proposed auction framework.

2.2.1 Participation in default management auctions

As noted above, ASXCL's intention as at the date of this consultation paper is that participation in default management auctions will be on a voluntary basis and will not be mandated under the ASXCL Operating Rules.

Default management auctions will be open to participation by ASXCL Clearing Participants and eligible clients of ASXCL Clearing Participants. Eligibility of clients will be subject to the satisfaction of certain conditions, including the agreement by the client to be bound by the default management auction procedures in the ASXCL Operating Rules, and the execution by the client of a non-disclosure agreement with ASXCL in respect of its participation in default management auctions. To participate in the auction clients must have obtained approval from their Clearing Participant.

The client must also be accepted by both ASXCL and the relevant Clearing Participant of the client as being ready and able to participate in a default management auction. The decision by ASXCL to accept or reject a client will be at the sole discretion of ASXCL, having regard to matters that may include:

- approval has been obtained from the Clearing Participant and ASXCL has assessed the impact of moving the positions to the new Clearing Participant;
- the type of products that the client has experience dealing in;
- the resources and processes the client has in place to support an auction process; and
- how active the client is in the transaction type.

From time to time, ASXCL will look to perform fire drill testing of the auction process with all members of the panel of auction participants.

Consultation Questions:

- 1) Do you have any suggestions on how to incentivise auction participants to bid in the auction?

2.2.2 Auction Pools and Auction Format

In using an auction mechanism to restore a matched book, ASXCL intends to terminate existing positions of a defaulter's portfolio and hold an auction of newly established equivalent positions. ASXCL may at its discretion split the equivalent positions of the defaulter's portfolio into any number of auction pools in order to maximise the likelihood of a successful auction. In determining such auction pools, ASXCL may take account of factors such as the direction, size, maturity and underlying characteristics of the positions to be auctioned. Each auction pool would be the subject of an individual auction process. ASXCL will retain its sole discretion to determine the composition of any auction pools. ASXCL may enter into "pre-auction hedges" to reduce directional risk in the auction pools. These "pre-auction hedges" may be included in the auction pool.

The auction format to be applied in respect of each auction pool will be the "highest bidder wins" auction format. Under this format, any bid submitted by an auction participant must be for the auction pool in its entirety. No partial bids will be accepted (i.e. the bids must be "all or nothing"). This will ensure the auction is conducted in an operationally efficient manner and will enable the announcement of winning bidders shortly after auction close. The highest validly submitted bid in respect of an auction pool will be the winning bid with respect to that auction pool.

Consultation Questions:

- 2) Noting that ASXCL will determine auction pools with the intention of maximising the likelihood of a successful auction, do you support ASX's "all or nothing" approach?
- 3) What are the key attributes that you consider important in determining how the portfolio should be split into appropriate auction pools?
- 4) Should ASXCL enter into "pre-auction hedges" in all possible instances to reduce the risk in each auction pool?

2.2.3 Bids

In order to place a bid in respect of a particular auction pool, an auction participant must complete a prescribed DM Auction Bidding Form. As noted above, a bid submitted by an auction participant must be for the auction pool in its entirety. If the auction participant is an end-user client, the Clearing Participant must approve the bid prior to submission to ASXCL.

ASXCL contemplates that the bids for each auction pool are to be expressed as a price in the auction currency specified for all positions contained in the auction pool. An example of a proposed bid using this methodology is shown below:

Example: An auction pool comprising of two (2) exchange traded index options:

- A long December 24 call option with a 8000 strike with a price of \$2,300
- A long March 24 put option with a 7000 strike with a price of \$1,000

An auction participant may choose to submit the following bid in respect of both contracts (being the entire auction portfolio): *Auction Participant's bid: \$3,000 (representing a bid \$300 below the current combined market value of the two instruments)*

ASXCL may determine a reserve price for each auction pool. Where a reserve price is determined by ASXCL in respect of a particular auction pool, the reserve price will not be disclosed prior to the close of that auction. ASXCL will reserve the right to declare that there is no winning bid for a particular auction pool where the reserve price set by ASXCL in respect of that auction pool is not met.

A bid constitutes an irrevocable offer by the relevant participating bidder to enter into the DM Auction Transactions comprised in the relevant auction pool.

Consultation Questions:

- 5) Do you support the proposed approach for expressing an auction bid (i.e. that bids are to be expressed as a price in the auction currency specified in the DM auction terms)?
- 6) What other approach or approaches do you consider are appropriate for expressing an auction bid?

2.2.4 Operational Considerations

Prior to the commencement of a default management auction, ASXCL will invite potential auction participants to join in the auction through distribution of specific auction terms and other relevant information regarding the auction pool (auction pack). The pack will include, among other information:

- the positions included in the auction pool;
- the last ASX settlement price for each open position in the auction pool; and
- an estimate of the initial margin to be posted for the auction pool that will be required by the winning bidder.

If the winning bidder of an auction pool is a client, the auction pool will be transferred to the winning bidder via their Clearing Participant as part of their client account positions.

Consultation Questions:

- 7) Do you support the proposed approach that contemplates that ASXCL will provide information about the default portfolio directly to auction participants?

2.2.5 Auction Results

ASXCL has the sole discretion to determine whether to accept any bid as a winning bid. After the expiration of the auction window, ASXCL will determine if there is a winning bid for each auction pool. In the event of multiple participants submitting acceptable identical highest bids, the winning bid will be the bid first received by ASXCL.

If ASXCL determines that there is no winning bid in respect of a particular auction, the auction is considered a failed auction. In the event of a failed auction, ASXCL may attempt one or more further auctions of the same auction pool. Alternatively, ASXCL may choose to re-allocate the positions comprised in that auction pool and conduct a new auction. Where ASXCL seeks to run a further auction or new auction following a failed auction, ASXCL may invite additional clearing participants or clients to participate in such auction.

3. Next Steps

Invitation to comment and make a submission

ASX invites submissions from clearing participants and other market users of ASXCL in respect of the proposals contained in this paper. ASX also welcomes submissions on any alternative approaches to elements of the proposed default management auction framework presented in this paper. Your views are important in assisting ASX to understand the requirements of all stakeholders.

Due date for submissions

Please provide all submissions in writing by the close of business on **Friday 14 February 2024**.

Submissions may be provided by email to alister.wright@asx.com.au

ASX Clear Operating Rules

...

SECTION 2 DEFINITIONS AND INTERPRETATION

2.10 DEFINITIONS AND INTERPRETATION

2.10.1 Definitions used in the Rules

In these Rules and in the Procedures, unless the context otherwise requires:

...

“Cash CCP Transaction” means one of the two matching transactions that arise between ASX Clear and a Participant when a Cash Market Transaction is registered and novated to ASX Clear under Section 12, or in the case of an Offsetting Transaction Arrangement means one of the two transactions that arise between ASX Clear and a Participant under that Offsetting Transaction Arrangement, or in the case of ASX Clear exercising its powers under Rule 15.2.1(ga), means a single transaction that is established between ASX Clear and a Participant by ASX Clear under Rule 15.2.1(ga).

Amended 28/04/14

...

“Derivatives CCP Contract” means one of the two matching contracts between ASX Clear and a Participant which arise when a Derivatives Market Contract is registered by and novated to ASX Clear under Section 12, or in the case of ASX Clear exercising its powers under Rule 15.2.1(ga), means a single contract that is established between ASX Clear and a Participant by ASX Clear under Rule 15.2.1(ga).

...

SECTION 15 DEFAULT

...

15.2 POWERS OF ASX CLEAR ON DEFAULT

15.2.1 ASX Clear may take action

If ASX Clear considers that an event of default under Rule 15.1 has occurred, or if Rule 15.3 applies, ASX Clear may take any or all of the following actions in respect of the Participant, in the name of (if appropriate) and at the expense of the Participant, in any order but subject to Rule 15.4, immediately or at any other time ASX Clear determines, and without the need for any prior notice to or consent of the Participant or any other person:

- (a) calculate one or more net amounts under and in accordance with Rule 10.3 and demand immediate payment of any net amount payable by the Participant;
- (b) refuse to register Derivatives Market Contracts reported for registration in the Participant's name or allocated to the Participant under Rule 11.1;
- (c) enter into transactions on a market conducted by an Approved Market Operator, on an Underlying Market (including an over the counter market) or on another market in order to close out, or eliminate or minimise the risk from, Clearing Obligations associated with Derivatives CCP Contracts or Cash CCP Transactions registered in an Account of the Participant. Without in any way limiting its powers, ASX Clear may:

(i) borrow Financial Products for the purpose of meeting settlement obligations; or

(ii) auction the Derivatives CCP Contracts or Cash CCP Transactions that arise from any hedging in accordance with the Procedures;

Note: Refer to Rules 15.2.4 and 15.2.1(ga) and Procedure 15.2.1(ga) Powers of ASX Clear Upon A Default and Determination of A Loss (DM Auction Procedures)

- (d) transfer any or all:
 - (i) Cash CCP Transactions registered in the Cash Market Account of the Participant to another Participant selected by ASX Clear in its discretion, with the agreement of the selected Participant; or
 - (ii) Derivatives CCP Contracts registered in an Account of the Participant, to another Participant selected by ASX Clear in its discretion, with the agreement of the selected Participant, as if the Participant had made a request for transfer under Rule 13.1, and simultaneously transfer to the credit of the receiving Participant Cover and Excess Cash recorded in respect of the transferred Derivatives CCP Contracts under Rules 10.2.2, 10.2.3 and 10.2.4;
- (e) close out Derivatives CCP Contracts which the Participant is entitled under Rule 13.2.1 to close out. For this purpose and for the purposes of Rule 13.2.1, the Participant is taken to be entitled to close out opposite Derivatives CCP Contracts that are registered in different Accounts (including House and Client Accounts) of a Participant in default. The price attributable to the close out of any Derivatives CCP Contract is to be determined by ASX Clear in its discretion provided that the price is fair and equitable as between Derivatives CCP Contracts regardless of the Account in which they were registered and whether they were closed out on- or off-market. Without limitation, if any two Participants are in default and hold Derivatives CCP Contracts that ASX Clear determines to be opposite positions, ASX Clear shall in its absolute discretion have the power to close out these Derivatives CCP Contracts by the matching of these opposite positions. The price attributable to the close out of such Derivatives CCP Contracts is to be determined by ASX Clear in its discretion;
- (f) exercise, or allow to expire, any Options CCP Contracts registered in an Account of the Participant;
- (g) terminate Cash CCP Transactions and Derivatives CCP Contracts registered in an Account of the Participant at a price determined by ASX Clear subject to these Rules;

(ga) terminate all or any Cash CCP Transactions and Derivatives CCP Contracts registered in an Account of the Participant (including Derivatives CCP Contracts in one or more Client Accounts), and to auction, in accordance with the Procedures,

(i) Cash CCP Transactions and Derivatives CCP Contracts newly established by ASX Clear which, taken as a whole, are equivalent to all or some of the Cash CCP Transactions and Derivatives CCP Contracts of the Participant; and

(ii) Cash CCP Transactions and Derivatives CCP Contracts arising from ASX Clear hedging the portfolio of the Participant in accordance with Rule 15.2.1(c).

(such Cash CCP Transactions and Derivatives CCP Contracts to be known as DM Auction Transactions);

Note: Refer to Rules 15.2.4 and 15.2.1(c) and Procedure 15.2.1(ga) Powers of ASX Clear Upon A Default and Determination of A Loss (DM Auction Procedures)

- (h) in relation to Collateral secured in favour of ASX Clear in respect of that Participant:
- (i) receive any dividends, interest or other income payable in respect of that Collateral and do anything else in relation to that Collateral that an owner of the Collateral could do;
 - (ii) register all or part of the Collateral in the name of ASX Clear;
 - (iii) deal with all or part of the Collateral in the same way as the holder or owner of the Collateral could if the Collateral were not secured in favour of ASX Clear;
 - (iv) sell all or part of the Collateral whether by public auction and/or private arrangement and whether on-market or off-market;
 - (v) allow the purchaser of any Collateral time for payment of all or part of the purchase money;
 - (vi) appoint a receiver or receiver and manager to the Collateral to do any of the things referred to in sub-paragraphs (i) to (v) inclusive; and
 - (vii) do anything which ASX Clear considers necessary for any of these purposes;
- (i) exercise its rights to apply or set off Cash Cover or Excess Cash under these Rules;
- (j) subject to Sections 10 and 14, apply in or towards satisfaction of any amount due and payable to ASX Clear and in any order:
- (i) any Cash Cover held in respect of the Participant; and
 - (ii) the proceeds of demanding, calling in, selling, realising and converting into cash any Collateral provided by or on behalf of the Participant after deducting all costs, commissions, duties and taxes payable in connection with any of those actions;
- (k) release or return directly to a Client or to any external administrator of the Participant any Excess Cash or excess Collateral;

- (l) subject to Rule 19.5, suspend or terminate the Participant's authority to clear all or any category of Market Transaction, or impose restrictions as new conditions on its authority to clear a category of Market Transaction. Such suspension or termination, or imposition of restrictions, takes effect at the time determined by ASX Clear in its absolute discretion;
- (m) appoint any person as its agent for the purpose of exercising a power under this Rule 15.2;
- (n) where the event of default is a failure by the Buyer to pay the Settlement Amount in respect of a Deliverable Derivatives CCP Contract by the time for settlement (and without limiting any other powers ASX Clear may exercise under this Rule 15.2.1):
 - (i) defer the settlement of the relevant Derivatives CCP Contract until it determines that settlement can occur at a later time in accordance with that Rule; or
 - (ii) terminate that contract and pursue any legal remedy available to ASX Clear in connection with that failure (including for example suing the Buyer to recover damages for breach of that Derivatives CCP Contract and these Rules) and resell or otherwise deal with any interest in the Underlying Commodity which the Buyer would have acquired under the rules governing the settlement of the contract, had settlement occurred;
- (o) where the event of default is a failure by the Seller of the type referred to in Rule 15.1.1(e) (and without limiting any other powers ASX Clear may exercise under this Rule 15.2.1):
 - (i) defer the settlement of the relevant Derivatives CCP Contract until it determines that settlement can occur at a later time in accordance with that Rule; or
 - (ii) terminate that contract and pursue any legal remedy available to ASX Clear in connection with that default (including, for example, suing the Seller to recover damages for breach of that Derivatives CCP Contract and these Rules);

- (p) without prejudice to any other rights which ASX Clear may have under the Rules, under statute, at law or in equity, take any other action, or take no action, or direct the Participant to take any action or no action, in order to eliminate or minimise risk with respect to Cash CCP Transactions or Derivatives CCP Contracts of the Participant which ASX Clear considers appropriate having regard to Rule 1.15;
- (q) set off or apply in or towards any amount due and payable by the defaulting Participant to ASX Clear (including in relation to any Account or Market Transaction) any amount due and payable by ASX Clear to the defaulting Participant (including in relation to any Account or Market Transaction);
- (r) calculate a net amount or amounts due and payable by the defaulting Participant to ASX Clear or ASX Clear to the defaulting Participant following the exercise by ASX Clear of any or all of its rights under this Rule 15, and demand immediate payment of any net amount payable by the defaulting Participant to ASX Clear. Without limiting any of its rights or powers, ASX Clear agrees that it will exercise its rights under this Rule 15.2.1(r) to calculate a net amount with respect to the defaulting Participant. ASX Clear may exercise any of its rights and powers and take any other actions in connection with the defaulting Participant before, or after, it does so; and
- (s) exercise its rights under the Recovery Rules.

Introduced 11/03/04 Origin OCH 12.2.1 Amended 13/07/09, 28/05/12, 07/06/13, 23/06/14, 15/06/15, 01/10/15, 30/11/15, 06/07/20

15.2.2 Legal requirement for notice

Despite Rule 15.2.1, ASX Clear may be required by law to give notice before taking action under Rule 15.2.1 or may have obligations imposed by law about what it must do when taking that action. However, to the extent that these requirements and obligations can be excluded or limited by agreement, they are so excluded and limited and ASX Clear does not have to notify the Participant, any Client or the legal owner of any Collateral before taking any of the actions referred to in Rule 15.2.1.

Introduced 11/03/04 Origin OCH 12.2.2

15.2.3 Partial termination of non-defaulting Participant's transactions

ASX Clear may exercise the rights and powers set out in Schedule 7 (Partial Termination) if the following conditions are satisfied:

- (a) ASX Clear considers that an event of default under Rule 15.1 has occurred; and
- (b) ASX Clear has an Unmatched Book and it reasonably expects that the exercise of those rights and powers may restore a Matched Book and ASX Clear reasonably believes that it is unlikely to be able to otherwise restore a Matched Book in a reasonable time as determined by ASX Clear.

By determining to exercise the rights and powers set out in Schedule 7 (Partial Termination), ASX Clear expects that the Net Termination Values which may be payable by it will be paid in full.

Note: This Rule 15.2.3 is not intended to limit the powers and rights of ASX Clear under the Recovery Rules.

Introduced 23/11/20

15.2.4 ASX Clear may terminate a defaulting Participant's transactions and contracts

- (a) By way of supplement to Rule 15.2.1(ga) above, and not by limitation, if ASX Clear considers that an event of default under Rule 15.1 has occurred, or if Rule 15.3 applies, then ASX Clear can declare:
- (1) that the obligations of the Participant and ASX Clear under relevant Cash CCP Transactions and Derivatives CCP Contracts registered in an Account of the Participant (including Derivatives CCP Contracts registered in one or more Client Accounts) are to be the subject of a termination; and
 - (2) the time at which such termination is to be effective (referred to as the **Termination Time**).
- (b) The Cash CCP Transactions and Derivatives CCP Contracts which are the subject of such a declaration under Rule 15.2.4(a) may relate to the Participant's House Account, Cash Market Account or Client Accounts and are referred to as **Terminated Open Contracts**.
- (c) If ASX Clear makes such a declaration under Rule 15.2.4(a) then the present and future obligations of ASX Clear and the Participant to make payments under the terms of the Terminated Open Contracts are terminated and the payments are no longer required to be made.
- Note: Following termination of Derivatives CCP Contracts relating to one or more Client Accounts, such Derivatives CCP Contracts may be combined with Terminated Open Contracts relating to the House Account and/or Cash Market Account.*
- (d) ASX Clear may, at any time, calculate a **Termination Value** in respect of one or more Terminated Open Contracts as selected by ASX Clear. Without limiting the factors which ASX Clear may take into account in determining such Termination Value, it may take into account its determination of its losses, costs, charges and expenses in connection with the management of the default of the relevant Participant with respect to the Terminated Open Contract(s) including, without limitation, costs and expenses associated with hedging any exposure of ASX Clear arising out of the default, and amounts payable by it in respect of any DM Auction held in accordance with Rule 15.2.1(ga).
- ASX Clear's determination of a Termination Value is conclusive, but does not limit any of its rights under these Rules or at law.
- (e) ASX Clear may include a Termination Value calculated by it in any netting conducted in accordance with Rule 15.2.1(a).
- (f) If Terminated Open Contracts involved in a default management process conducted in accordance with Rule 15.2.1(ga) relate to the House Account, Cash Market Account and/or Client Accounts of a Participant in default, or the House Account, Cash Market Account and/or Client Accounts of more than one Participant in default, then ASX Clear:
- (1) may combine any such Terminated Open Contracts so that they are treated as part of one or more portfolios at any time after the commencement of the

default management process for the purpose of auction in accordance with the relevant powers under Rule 15.2.1(ga);

- (2) is to allocate any losses, costs, charges and expenses in connection with that default management process between the relevant Participant(s) in default and between the House Accounts, Cash Market Accounts and Client Accounts of the relevant Participant(s) in default which relate to those Terminated Open Contracts (referred to in this Rule 15.2.4 as a **Relevant Account**). The losses, costs, charges and expenses are to be calculated as of the time of combination of such Terminated Open Contracts and will be conducted by allocating any losses, costs, charges and expenses to each Relevant Account proportionately to its relative risk as determined by ASX Clear using the value of Initial Margin or other margin (as applicable) calculated with respect to each Relevant Account at the time of combination of the Terminated Open Contracts; and
- (3) in the case of a Relevant Account which is a Client Account, is to deduct any losses, costs, charges and expenses so attributed to that Client Account in accordance with (2) above from the Cover held by ASX Clear in respect of that Client Account.

Introduced [date]

15.3 OTHER EVENTS

15.3.1 ASX Clear may take action

If an event, or series of events whether related or not, occurs in relation to a Participant or a Related Entity of a Participant, which is not an event of default under Rule 15.1, including without limitation:

- (a) the Participant fails to comply, or indicates that it will or may fail to comply with any of the Rules or the Procedures or the terms of any agreement with ASX Clear;
- (b) ASX Clear has reasonable grounds for suspecting that a Participant will or may fail to comply with any of the Rules or the Procedures or the terms of any agreement with ASX Clear;
- (c) ASX Clear is satisfied that the acts, omissions or proposed conduct of a Participant may adversely affect the operation or integrity of the Clearing Facility;
- (d) the Participant or a Related Entity fails to comply, or indicates that it will or may fail to comply with any rule or the procedure of, or any term of any agreement with, an Approved Market Operator or any other market operator or clearing and settlement facility;
- (e) ASX Clear is informed by an Approved Market Operator or any other market operator or clearing and settlement facility that the Participant or a Related entity is not, or may not be, complying with its obligations under the rules or the procedures of, or any terms of any agreement with, an Approved Market Operator or any other market operator or clearing and settlement facility;

- (f) the Participant or a Related Entity fails to comply, or indicates that it will or may fail to comply with any legislative or regulatory requirement;
- (g) the Participant fails to deliver Financial Products to discharge its Clearing Obligation; or
- (h) ASX Clear is informed by any other regulatory body that the Participant or a Related Entity is not, or may not be, complying with any legislative or regulatory requirement,

and ASX Clear considers the event or series of events has or may have a material adverse effect on:

- (i) the capacity of the Participant to meet all its obligations to ASX Clear, an Approved Market Operator, an Approved Settlement Facility or other Participants;
- (j) the financial position of ASX Clear or the Participant; or
- (k) the market conducted by an Approved Market Operator or an Underlying Market,

ASX Clear may, immediately after giving written notice to the Participant of its intention to rely on this Rule, take any or all of the actions set out in Rule 15.2 in relation to the Participant.

Introduced 11/03/04 Origin OCH 12.3

15.4 TRANSFER OF CLIENT DERIVATIVES CCP CONTRACTS

15.4.1 ASX Clear may attempt to transfer Derivatives CCP Contracts

If:

- (a) Rule 15.2 applies;
- (b) the Participant has a Derivative CCP Contract registered in a Client Account;
- (c) the Participant has no outstanding obligations or liabilities to ASX Clear in respect of that Client Account; and
- (d) all applicable conditions set out in the Procedures have been satisfied,

then before taking any other action under Rule 15.2 ASX Clear may attempt to transfer that Derivatives CCP Contract to another Participant under Rule 15.2.1(d). Any transfer will be effected in accordance with Rule 13.1 (except that Rule 13.1.1 need not be complied with).

Introduced 11/03/04 Origin OCH 12.4 Amended 30/11/15

15.5 NOTIFICATION OF EXERCISE OF POWER

15.5.1 Notification to Participant

ASX Clear will keep the Participant reasonably informed of actions ASX Clear has taken under Rule 15.2 in accordance with the Notice requirements under Rule 19.4.2.

Introduced 11/03/04 Origin OCH 12.5.1 Amended 15/06/15

15.5.2 Notification to Approved Market Operator or Approved Settlement Facility

ASX Clear will notify each relevant Approved Market Operator and Approved Settlement Facility for which the Participant clears of action ASX Clear has taken under Rule 15.2 as soon as practicable after taking that action.

Introduced 11/03/04 Origin OCH 12.5.2

15.6 APPOINTMENT OF ASX CLEAR AS AGENT

15.6.1 Participant irrevocably appoints ASX Clear as agent

Each Participant irrevocably appoints severally ASX Clear, and every officer, agent, person acting for or on behalf of ASX Clear and each other representative for the time being of ASX Clear, at the option of ASX Clear, to be the agent of the Participant and irrevocably authorises ASX Clear and every officer, agent, person and other representative for the time being of ASX Clear, at the option of ASX Clear, to do all acts and execute all documents on its behalf for the purpose of exercising the powers conferred on ASX Clear by this Section 15.

Introduced 11/03/04 Origin OCH 12.6

15.7 NO LIABILITY OF ASX CLEAR

15.7.1 ASX Clear not liable for bona fide exercise of power, right or discretion

Without limiting Rule 1.10, none of ASX Clear, its officers, representatives, agents or contractors is liable to a Participant or to any other person for any loss, liability, damage, cost or expense arising in any way (including, without limitation, by negligence) from the bona fide exercise of any power, right or discretion conferred upon ASX Clear by this Section 15.

Introduced 11/03/04 Origin OCH 12.7

15.8 INDEMNITY

15.8.1 Participants to indemnify ASX Clear

Each Participant indemnifies and will keep indemnified ASX Clear and its officers, representatives, agents and contractors against all actions, proceedings, claims, demands, damages, costs, expenses and any other amounts including any transaction taxes, goods and services taxes or any other duties or taxes (extending to include any taxes payable by ASX Clear on a payment made under this indemnity) against or incurred by any of ASX Clear, its officers, representatives, agents or contractors arising out of or in connection with any event of default under Rule 15.1, any circumstances under Rule 15.3 or any action taken by, or any inaction by, any of ASX Clear or its officers, representatives, agents or contractors under this ASX Clear Section 15.

Introduced 11/03/04 Origin OCH 12.8

15.9 PROTECTION OF THIRD PARTIES

15.9.1 No requirement to enquire

No person need enquire whether any action taken under this ASX Clear Section 15 is properly or validly taken nor will a person be affected by any notice or claim that any action taken under this Section 15 is improper or unnecessary.

Introduced 11/03/04 Origin OCH 12.9

15.10 SURVIVAL OF POWERS

15.10.1 Rights, powers and remedies survive Participant's termination

The rights, powers and remedies of ASX Clear under this Section 15 in relation to a Participant survive the termination of the Participant's admission as a Participant.

Introduced 11/03/04 Origin OCH 12.10

15.11 TERMINATION WITH RESPECT TO ASX CLEAR

15.11.1 Termination

If:

- (a) **(ASX Clear Payment Default)** all of the following occur:
- (i) ASX Clear fails to make, when due, any payment in respect of a payment claim of a Participant against ASX Clear arising from a Derivatives CCP Contract or Cash CCP Transaction;
 - (ii) such Participant has notified ASX Clear of such failure;
 - (iii) such Participant notifies ASX Clear again of such failure after the expiry of a period of not less than five Business Days after the notification in (ii); and
 - (iv) ASX Clear's failure to make such payment to such Participant continues for a period of more than five Business Days after notification in (iii),
- and for this purpose and without limitation, a payment will be considered to have been made by ASX Clear if a corresponding amount has been credited to the relevant account of the relevant Participant. Delays in effecting such credit for technical reasons will not lead to an ASX Clear Payment Default provided that funds were available to enable ASX Clear to make the credit; or
- (b) **(ASX Clear Insolvency Event)** ASX Clear is wound-up in insolvency under the Corporations Act or is subject to statutory management either instituted by it or against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in Australia,

then, at the election of either ASX Clear or any Participant (if a Participant makes this election then only its Derivatives CCP Contracts and its Cash CCP Transactions are affected):

- (I) the present and future obligations of ASX Clear and each Participant to make payments and deliveries under the terms of the Derivatives CCP Contracts and Cash CCP Transactions are terminated and are no longer required to be made;
- (II) ASX Clear is to calculate the termination value of those terminated obligations. The termination values are to take into account the amounts which would otherwise be debited or credited in respect of the daily revaluation of the Cash CCP Transactions and Derivatives CCP Contracts for margining purposes;
- (III) ASX Clear will net the termination values so calculated separately in respect of each Participant's (A) House Account(s) and Cash Market Account and (B) Client Account, so that only a net cash amount is payable in respect of each of (A) and (B) and between ASX Clear and each respective Participant. Each such net cash amount is to be payable by the party who is determined to owe it on the Business Day on which it is determined and notified to the Participant.

If ASX Clear is, for operational reasons, unable to make one or more calculations or determinations required to be made under this Rule then those particular calculations are to be made by the relevant Participant.

Introduced 23/06/14 Amended 01/10/15

15.11.2 Netting for Client Accounts

If a Participant has more than one Client Account then the netting referred to in Rule 15.11.1(III) above is to be conducted separately in respect of each Client Account of that Clearing Participant. A net cash amount is to be payable in accordance with Rule 15.11.1(III) in respect of each separate netting which takes place.

Introduced 23/06/14

End of Document

ASX CLEAR OPERATING RULES PROCEDURES

...

SECTION 15 DEFAULT

PROCEDURE 15.2.1 POWERS OF ASX CLEAR UPON A DEFAULT AND DETERMINATION OF A LOSS (DM AUCTION PROCEDURES)

1 Application of DM Auction Procedures

For the purpose of Rule 15.2.1(ga), the following procedures (referred to in these Procedures as the **General DM Auction Procedures**) will apply to auctions of DM Auction Transactions and to all Bids (as defined in Paragraph 6.2 below) made in respect of such auctions (referred to as **DM Auctions**). The General DM Auction Procedures are supplemented by specific auction terms (referred to in these Procedures as the **Specific DM Auction Terms**), which will be substantially in the form as set out in the Appendix hereto titled “Form of Specific DM Auction Terms”. The General DM Auction Procedures and the Specific DM Auction Terms are together referred to as the **DM Auction Procedures**.

In the case of any inconsistency between the Specific DM Auction Terms for a particular DM Auction and the General DM Auction Procedures, the Specific DM Auction Terms will prevail to the extent of the inconsistency. None of the Specific DM Auction Terms or the General DM Auction Procedures prevail over the Recovery Rules.

A summary of the applicable timings and steps to be taken in respect of a DM Auction (referred to in these Procedures as the **DM Auction Process Timeline**) is set out in the Appendix hereto titled “Default Management Auction Process Timeline”. The DM Auction Process Timeline is provided by way of guidance only and does not form part of the DM Auction Procedures or override the DM Auction Procedures for any particular DM Auction.

Introduced [XX]

2 Definitions

2.1 Terms to have meanings given to them in the Rules

Terms used and not otherwise defined in these DM Auction Procedures will have the meanings given to them in the Rules.

Introduced [XX]

2.2 References to Paragraphs

Paragraphs of these DM Auction Procedures are referred to as Paragraphs.

Introduced [XX]

2.3 Definition of “Other DM Auction Bidder”

In these DM Auction Procedures, the term “Other DM Auction Bidder” means any client of a Participant that is not itself a Participant but which has:

- (a) entered into a written agreement with ASX Clear that it will be bound by these DM Auction Procedures;
- (b) entered into a written non-disclosure agreement in the form reasonably requested by ASX Clear in respect of its participation in DM Auctions; and
- (c) been accepted in writing by both ASX Clear and the relevant Participant as being ready and able to participate in a DM Auction.

Introduced [XX]

3 Determination of Auction Pools

3.1 Auction Pools

Where ASX Clear determines in accordance with its powers under Rule 15.2.1(ga) of the Rules that a DM Auction is to be held, ASX Clear is to determine at its sole discretion the groups of DM Auction Transactions which are to be the subject of each separate auction (each group of DM Auction Transactions referred to as an **Auction Pool**). Without limiting the ways in ASX Clear may form an Auction Pool, ASX Clear may:

- (a) take into consideration factors such as the type, jurisdiction and value of each DM Auction Transaction; and
- (a)(b) determine that a single DM Auction Transaction is to be split into multiple transactions, with each transaction being included in a different Auction Pool as a separate DM Auction Transaction.

Introduced [XX]

3.2 Expert advice

ASX Clear may elect to seek advice or opinions from experts to inform any decision it may make under Paragraph 3.1. Where such expert advice or opinion is sought by ASX Clear in accordance with this Paragraph 3.2, ASX Clear is not required to act in accordance with any expert advice or opinion that is provided.

Introduced [XX]

4 Participation in DM Auctions

4.1 Purpose of participation in DM Auction

DM Auctions held by ASX Clear pursuant to its powers under Rule 15.2.1(ga) of the Rules will enable:

- (a) the bidders in a DM Auction (where the bidders are Participants who are participating in the DM Auction in accordance with these DM Auction Procedures); and
- (b) the relevant Participants of the bidders in a DM Auction (where the bidders are not Participants but are participating in the DM Auction in accordance with these DM Auction Procedures on the basis that the relevant Participant will assume the obligations of the winning bidder).

to enter into the DM Auction Transactions comprised in the relevant Auction Pool with ASX Clear at an auction price that is determined in accordance with these DM Auction Procedures (the auction price for the Auction Pool referred to in as the **DM Auction Price**).

Introduced [XX]

4.2 DM Auction Invitees

(a) ASX Clear may at its sole discretion invite any:

(i) Participant, or

(ii) Other DM Auction Bidder,

to make a submission of a Bid (as defined at Paragraph 6.2 below) to enter into each of the DM Auction Transactions comprised in the Auction Pool for a particular DM Auction with ASX Clear at the Auction Price.

(b) The distribution of the Specific DM Auction Terms to any of the entities at 4.2(a)(i) or 4.2(a)(ii) above constitutes an invitation of ASX Clear to that entity under Paragraph 4.2(a).

(c) Each entity that receives an invitation from ASX Clear under this Paragraph 4.2 is to be known as a **DM Auction Invitee** in respect of any DM Auction for which it has received such invitation.

Introduced [XX]

4.3 Disclosure

(a) Subject to Paragraph 4.3(b), a DM Auction Invitee (and its relevant Participant, if any) may not disclose the Specific DM Auction Terms applying to a DM Auction or any other information that it receives in respect of a DM Auction in its capacity as a DM Auction Invitee (or in its capacity as the Participant of the DM Auction Invitee, as relevant) other than in accordance with the Rules or the Procedures;

(b) Nothing in Paragraph 4.3(a) will prevent a DM Auction Invitee that is not a Participant from disclosing the Specific DM Auction Terms or any other information that it receives in respect of a DM Auction in its capacity as a DM Auction Invitee, to its relevant Participant for the purpose of obtaining the agreement of the Participant to enter into the DM Auction Transactions which the DM Auction Invitee may acquire in the DM Auction.

Introduced [XX]

4.4 Participating Bidders

A DM Auction Invitee that has received an invitation from ASX Clear pursuant to Paragraph 4.2 and has notified ASX Clear in writing that it has decided to participate in the relevant DM Auction:

(a) is to be referred to under these DM Auction Procedures as a **Participating Bidder** with respect to that DM Auction, and

(b) may make a submission of a Bid (as defined in Paragraph 6.2 below) with regard to the specific Auction Pool for that DM Auction.

Introduced [XX]

5 Pre-Auction Procedures

5.1 Specific DM Auction Terms

Prior to each DM Auction, ASX Clear will provide all DM Auction Invitees with the Specific DM Auction Terms and with any further relevant information relating to the DM Auction that ASX Clear deems necessary. The Specific DM Auction Terms will stipulate:

- (a) the DM Auction Transactions comprised within the Auction Pool for that DM Auction;
- (b) the scheduled date and time as of which the respective Bids may be submitted for a particular DM Auction (referred to as the **Auction Commencement Date and Auction Commencement Time**);
- (c) the scheduled expiration date and time by which the respective Bids have to be submitted in accordance with Paragraph 6 of these General DM Auction Procedures (referred to as the **Expiration Date and Expiration Time**);
- (d) the date and time of acceptance of the winning Bid/s and announcement of the winning Bid/s to all Participating Bidders (referred to as the **Acceptance Date and Acceptance Time**); and
- (e) the date and time of settlement of the DM Auction (referred to as the **Settlement Date and the Settlement Time**);
- (f) indication of whether ASX Clear has set a reserve price;
- (g) an estimate of the Initial Margin and other margin that will be required by the winning bidder at the Settlement Time; and
- (h) any other information that ASX Clear deems necessary to include in the Specific DM Auction Terms.

Introduced [XX]

5.2 Cancellation of DM Auction or changes to Specific DM Auction Terms

- (a) ASX Clear is entitled, at any time prior to the Expiration Time for a DM Auction, to do any of the following in respect of that DM Auction:
 - (i) cancel the DM Auction; or
 - (ii) change the Auction Commencement Date, the Auction Commencement Time, the Expiration Date, the Expiration Time, the Auction Pool that is the subject of the DM Auction, or the bidding procedures contained in Paragraph 6;

provided that at the time of making such change, ASX Clear will (if it reasonably deems necessary), extend the Expiration Time to allow for Participating Bidders to exercise the revocation right under DM Auction Paragraph 6.4 (Revocation of Bids following amendment).
- (b) ASX Clear will inform all Participating Bidders in a DM Auction about any such changes made in accordance with Paragraph 5.2(a) by way of written notice.

Introduced [XX]

6 Bidding Procedures

6.1 Principles

With respect to each DM Auction the following principles will apply:

- (a) each Participating Bidder is permitted to provide ASX Clear with a Bid (as defined in Paragraph 6.2 below) in writing for the Auction Pool;
- (b) each Bid (as defined in Paragraph 6.2 below) must be made in respect of the Auction Pool in its entirety and may not be made in respect of one or more individual components of the Auction Pool.

Introduced [XX]

6.2 Submission of Bids

- (a) Participating Bidders must submit their offered price for an Auction Pool (each such submission referred to as a Bid) in accordance with the DM Auction Procedures. In order to be accepted as a valid Bid, each Bid must be:
 - (i) expressed as a price per Auction Pool, in the auction currency specified in the Specific DM Auction Terms;
 - (ii) submitted through completion of the “DM Auction Bidding Form” contained in the Specific DM Auction Terms and delivery of the form to ASX Clear using the method specified in the Specific DM Auction Terms;
 - (iii) submitted in the time period from, and including, the relevant Auction Commencement Time to, and including, the relevant Expiration Time (referred to as the Bidding Period); and
 - (iv) where the Participating Bidder is not a Participant, each Bid must be submitted by the Participating Bidder to its relevant Participant, who will make submission of the Bid to ASX Clear in accordance with the DM Auction Procedures.
- (b) By submitting a Bid received from a Participating Bidder to ASX Clear in accordance with Paragraph 6.2(a)(iv), a Participant agrees to assume and be bound by all of the obligations of the Participating Bidder to ASX Clear in respect of the underlying DM Auction Transactions in the event that the Bid is determined by ASX Clear to be the winning Bid.

Introduced [XX]

6.3 Bid constitutes an irrevocable offer

- (a) A Bid constitutes an offer by the relevant Participating Bidder to enter into the DM Auction Transactions comprised in the relevant Auction Pool (as referred to in the Bid and in compliance with the DM Auction Procedures) with ASX Clear at the Auction Price.
- (b) Subject to Paragraph 6.4 (Revocation of Bids following amendment), the most recent Bid received by ASX Clear from a Participating Bidder (or from the Participant of a Participating Bidder) in respect of the Auction Pool comprised in a DM Auction will be irrevocable.

Introduced [XX]

6.4 Revocation of Bids following amendment

If:

- (a) ASX Clear amends the Specific DM Auction Terms or any provisions of the General DM Auction Procedures prior to the Expiration Time of a DM Auction; and

(b) such amendment is, in the reasonable opinion of ASX Clear, materially prejudicial to any Participating Bidder that has already submitted its Bid(s) before such amendment was announced and became effective,

then such Participating Bidder may revoke its Bid(s) in accordance with this Paragraph 6.4, provided that a revocation of the respective Bid(s) will only become effective if received by ASX Clear prior to the Expiration Time (as amended in accordance with Paragraph 5.2(a)).

Introduced [XX]

6.5 No negative Bids

All Bids submitted to ASX Clear must be positive Bids. A negative Bid will not be accepted by ASX Clear as a valid Bid.

Introduced [XX]

6.6 Bids confidential

All Bids submitted in respect of a DM Auction are confidential and must be made by a confidential means of communication.

Introduced [XX]

6.7 Instructions to be clear and unequivocal

(a) All communications by a Participating Bidder to ASX Clear purporting to submit, revise or revoke any Bid in compliance with the DM Auction Procedures must be clear and unequivocal.

(b) ASX Clear may reject any communication from a Participating Bidder purporting to submit, revise or revoke any Bid in compliance with the DM Auction Procedures if ASX Clear determines, in its discretion, that such communication is not clear and unequivocal.

Introduced [XX]

7 Determination of Winning Bid and Auction Price

7.1 Determination of winning Bid

(a) After the Expiration Time, ASX Clear will determine the winning Bid for the Auction Pool in accordance with the auction format specified in Paragraph 8 and in accordance with this Paragraph 7.

(b) If:

(i) two or more Participating Bidders enter the same Bid for an Auction Pool, and

(ii) the Bid entered by multiple Participating Bidders is the highest valid Bid received by ASX Clear,

the winning Bid will be the Bid that was received first by ASX Clear, unless both Bids are received by ASX Clear at the same time, in which case ASX Clear will have absolute discretion in determining the winning Bid.

(c) Regardless of any provisions to the contrary contained in the Specific DM Auction Terms or these General DM Auction Procedures, if the highest Bid received by ASX Clear for an Auction Pool is not acceptable to ASX Clear in its sole discretion, having regard to its compliance with its obligations as a CS facility licensee, ASX Clear may instead select the next highest Bid (or, if the next highest

Bid is also not acceptable to ASX Clear, each subsequent lower Bid until a Bid is deemed acceptable) as the winning Bid in any DM Auction.

Introduced [XX]

7.2 Reserve Price

- (a) ASX Clear may at its sole discretion set a reserve price for the Auction Pool comprised in a DM Auction.
- (b) The reserve price for the Auction Pool, if any, will not be disclosed prior to the scheduled Expiration Time in respect of the relevant DM Auction.
- (c) If a reserve price specified for the Auction Pool is higher than the otherwise winning Bid for such Auction Pool, then despite any other provision of these DM Auction Procedures, there is taken to be no winning Bid for such Auction Pool.

Introduced [XX]

7.3 Notification of winning Bid

ASX Clear will inform all Participating Bidders at the Acceptance Time on the Acceptance Date whether their Bid(s) qualified as winning Bid(s) with respect to the Auction Pool.

Introduced [XX]

7.4 DM Auction Transactions

Following determination of the winning Bid for the Auction Pool by ASX Clear, the DM Auction Transactions of that Auction Pool will be established between ASX Clear and either:

- (a) the Participating Bidder; or
- (b) where the Participating Bidder is not a Participant, the Participant of that Participating Bidder, pursuant to Paragraph 6.2(b);

at the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Pool in accordance with the standard practices of ASX Clear.

Introduced [XX]

7.5 Failed Auction

If ASX Clear determines that a DM Auction or any part of it has failed for any reason, ASX Clear may:

- (a) reallocate the DM Auction Transactions comprising the Auction Pool and hold a further DM Auction in accordance with these DM Auction Procedures; and
- (b) take any such other action as ASX Clear determines in its discretion is appropriate.

Introduced [XX]

7.6 Non-disclosure

ASX Clear will keep confidential the details of all Bids submitted to it until the Expiration Time. In any event, ASX Clear will not disclose:

- (a) the identity of the Participating Bidder that submitted the winning Bid for the Auction Pool to any party;

- (b) the Auction Price for the Auction Pool, to any party other than the Participating Bidder who submitted the winning Bid; or
 - (c) Bids of Participating Bidders to other Participating Bidders,
- unless it is required to do so by law, regulation or regulators.

Introduced [XX]

8 Auction Format

- (a) Where ASX Clear conducts a DM Auction in accordance with these DM Auction Procedures, ASX Clear will apply the “Highest Bidder Wins Auction Format” as described in Paragraph 8.1(b).
- (b) A DM Auction with a “Highest Bidder Wins Auction Format” will be conducted in accordance with the following requirements;:
 - (i) all Bids will be made in accordance with the DM Auction Procedures;
 - (ii) there will be one Auction Pool only comprised in a single DM Auction;
 - (iii) Participating Bidders in respect of that DM Auction are not required to submit a Bid, however, any Bid submitted must be for the Auction Pool as a whole; and
 - (iv) subject to Paragraph 7.1 (Determination of winning Bid) and 7.2 (Reserve Price), the highest valid Bid will be the winning Bid with respect to the Auction Pool and such highest Bid will be the Auction Price for that Auction Pool.

Introduced [XX]

9 Settlement of Auction Price

At the Settlement Time on the Settlement Date, the Participating Bidder that has submitted the winning Bid must pay to ASX Clear the Auction Price, together with any applicable margin associated with the successful Bid.

Introduced [XX]

10 Irregularities

- (a) All questions as to the validity, form and eligibility (including the time of receipt) of any Bid or revision of it, will be determined by ASX Clear, which determination will be final and binding.
- (b) ASX Clear reserves the absolute right to reject at any time any and all Bids that do not comply with these DM Auction Procedures.
- (c) ASX Clear reserves the absolute right to waive any requirement under the DM Auction Procedures.
- (d) ASX Clear will be under no duty to give notice to Participating Bidders of any irregularities in Bids.

Introduced [XX]

11 Agreements and acknowledgements by Participating Bidders

11.1 Agreements

By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder agrees with ASX Clear at the time of the submission of its Bid that:

- (a) it accepts the DM Auction Procedures;

- (b) it accepts that ASX Clear is under no obligation to accept a Bid which is not made in accordance with the DM Auction Procedures;
- (c) it accepts that ASX Clear will not be liable for any Bids that are submitted by a Participating Bidder to a Participant in accordance with 6.2(a)(iv) and which are not received by ASX Clear before the Expiration Time for the relevant DM Auction;
- (d) it accepts the rights of ASX Clear set out in DM Auction Paragraph 10 (Irregularities); and
- (e) it will indemnify on an after tax basis ASX Clear against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which ASX Clear may incur or which may be made against ASX Clear as a result of:
 - (i) any breach of any of the DM Auction Procedures, or
 - (ii) any breach of the acknowledgements, representations, warranties and undertakings given pursuant to the DM Auction Procedures (including any Bid thereunder) by the Participating Bidder,

up to a maximum capped amount for that Participating Bidder in respect of all DM Auctions which may occur as a result of the applicable Participant's Default, of twenty million dollars (\$20,000,000).

Introduced [XX]

11.2 Acknowledgements

By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder acknowledges to ASX Clear at the time of the submission of its Bid that:

- (a) it understands that ASX Clear may, at its own discretion, extend, re-open, amend or waive any condition of, or cancel the DM Auction at any time in accordance with Paragraph 5.2 (Cancellation of DM Auction or changes to Specific DM Auction Terms) and that in the event of a cancellation of the DM Auction, the Bids will be cancelled;
- (b) it understands that acceptance by ASX Clear of a submitted Bid as a winning Bid will constitute a binding contract regarding the entering into the DM Auction Transactions comprised in the relevant Auction Pool;
- (c) ASX Clear will rely upon the truth and accuracy of the representations, warranties and undertakings contained in DM Auction Paragraph 12 (Representations, Warranties and Undertakings of Participating Bidder); and
- (d) a margin requirement with respect to the respective DM Auction Transactions comprised in the relevant Auction Pool may become due at the relevant Settlement Time.

Introduced [XX]

12 Representations and warranties of Participating Bidder

12.1 By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder (and each Participant of any Participating Bidder that is not a Participant) represents and warrants to ASX Clear at the time of the submission of its Bid, that:

- (a) it will:

- (i) keep confidential and will not disclose directly or indirectly (other than in accordance with these DM Auction Procedures) the Specific DM Auction Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Pool;
- (ii) use any such information at (i) solely for the purpose of evaluating the relevant Auction Pool; and
- (iii) unless it has provided the winning Bid which has been accepted by ASX Clear or is required to retain such information pursuant to law or internal compliance procedures, immediately delete and destroy such information after the respective Expiration Time and promptly certify to ASX Clear in writing that such deletion has been completed;
- (b) it has not made and will not make available any information about Bids to, or discuss any Bids with, any other Participating Bidder;
- (c) it has neither taken, nor omitted to take, any action in breach of the DM Auction Procedures;
- (d) it does not engage in any trading activity with the purpose of affecting the value of any DM Auction Transaction or Auction Pool;
- (e) no order has been made or applied for or resolution passed for the suspension of payments or dissolution, termination of existence, liquidation, winding-up, bankruptcy, insolvency, judicial management or curatorship;
- (f) no moratorium in respect of all or any debts or a composition or an arrangement with creditors or any similar proceeding or arrangement by which its assets are submitted to the control of its creditors is ordered, declared or applied for;
- (g) no liquidator, trustee, administrator, receiver, statutory manager or similar officer has been appointed in respect of it or in respect of all or a substantial part of its assets;
- (h) it is able to pay its debts as and when they fall due, will not become unable to pay its debts as a consequence of entering into the DM Auction Transactions; and
- (i) no event has occurred or circumstance arisen with respect to it, which might (whether or not with the giving of notice or the passage of time or the fulfilment of any other requirement) constitute a Default.

12.2 The representation in 12.1(a) above is also made by each Participating Bidder that has not placed a Bid in respect of a particular DM Auction.

12.3 The representations and warranties pursuant to DM Auction Paragraph 12.1 (Representations) will be repeated on the relevant Settlement Date by each Participating Bidder that has placed a Bid in respect of a particular DM Auction.

Introduced [XX]

13 Duty to Inform

If a Participating Bidder is unable to give the agreements, acknowledgements, representations and warranties set out in DM Auction Paragraph 11 (Agreements and acknowledgements by Participating Bidder) and 12 (Representations and warranties of Participating Bidder), such Participating Bidder will notify ASX Clear without undue delay informing ASX Clear about the relevant circumstances.

Introduced [XX]

14 Governing law; Place of jurisdiction

The rights and obligations arising out of, and in connection with, the DM Auction Procedures will be governed by the law in force in New South Wales.

The exclusive place of jurisdiction for all disputes arising out of, or in connection with, these DM Auction Procedures is New South Wales.

Introduced [XX]

15 Amendment of DM Auction Procedures

ASX Clear reserves the right to amend the DM Auction Procedures at any time at its sole discretion.

Introduced [XX]

DRAFT

ANNEX – Form of Specific DM Auction Terms

[Letterhead of ASX Clear]

To The DM Auction Invitees

[Date]

SPECIFIC TERMS FOR DM AUCTIONS

You have been invited by ASX Clear to participate in a DM Auction (as further described by the details below).

These Specific DM Auction Terms must be read in conjunction with the General DM Auction Procedures as set out in Procedure 15.2.1(ga) (Default Management Auction Procedures) of the ASX Clear Operating Rules Procedures and constitute, in conjunction with the General DM Auction Procedures, the DM Auction Procedures for this DM Auction. In case of any differences between the General DM Auction Procedures and these Specific DM Auction Terms, these Specific DM Auction Terms will prevail. None of the Specific DM Auction Terms or the General DM Auction Procedures prevail over the Recovery Rules.

Each DM Auction Invitee will keep confidential and will not disclose directly or indirectly the Specific DM Auction Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Pool. It will use any such information solely for the purpose of evaluating the Auction Pool and it will, unless it has provided a winning Bid that has been accepted by ASX Clear, immediately delete and destroy such information after the respective Expiration Time and will promptly certify to ASX Clear in writing that such deletion has been completed.

Notwithstanding the above, a DM Auction Invitee that is not a Participant may disclose the Specific DM Auction Terms or any other information that it receives in respect of a DM Auction in its capacity as a DM Auction Invitee, to its relevant Participant for the purpose of obtaining the agreement of the Participant to enter into the DM Auction Transactions which the DM Auction Invitee may acquire in the DM Auction.

The DM Auction requires DM Auction Invitees to calculate their own valuation of the Auction Pool to determine an appropriate Auction Bid. ASX Clear is unable to advise on matters relating to a DM Auction Invitee's calculation of an Auction Bid.

To ensure fair and equal treatment of all DM Auction Invitees, the answers to questions of relevance to Auction Invitees generally received by ASX Clear prior to the relevant Expiration Time of the DM Auction will be disseminated via email on an anonymised basis to all DM Auction Invitees.

General Information:

Auction Pool Code: []

Auction Pool Description: []

DM Auction Transactions: [Refer below] / [Refer to files attached containing last ASX Settlement Prices relevant to each DM Auction Transaction]:

_____ - []

_____ - []

Bidding and Auction Procedure Details:

Reserve Price Set: _____ [Yes/No]

Implied Auction Payment Direction: _____ Participating Bidder (or its Participant, as applicable)
pays ASX Clear

Auction Timetable (all times AEST):

Auction Commencement Date / Time: _____ [DD MMMM YYYY, HH: MM HRS]

Expiration Date / Time: _____ [DD MMMM YYYY, HH: MM HRS]

Acceptance Date / Time: _____ [DD MMMM YYYY, HH: MM HRS]

Settlement Date / Time: _____ [DD MMMM YYYY, HH: MM HRS]

(The Settlement Time on the Settlement Date is when the Auction Price will be paid and the DM Auction Transactions in the Auction Pool will be established with the winning bidder (or its Participant, as applicable). Margin obligations in respect of the DM Auction Transactions apply to the winning bidder (or its Participant) on and from the Settlement Time on the Settlement Date.)

DM AUCTION BIDDING FORM

(Please provide bid details in the format below and return to ClearingRiskManagement@asx.com.au)

<u>Participating Bidder Name</u>		
<u>Participating Bidder Invitee Code</u>		
<u>Name of Participant (if different from Participating Bidder)</u>		
<u>Bid (Price per Auction Pool expressed in AUD)</u>		
<u>Auction Payment Direction</u>	<input type="checkbox"/> <u>Participating Bidder pays ASX Clear</u>	<input type="checkbox"/> <u>ASX Clear pays Participating Bidder</u>

The sender of this form is authorised to submit this bid on behalf of the Participating Bidder.

Introduced [XX]

ANNEX – Default Management Auction Process Timeline

1 Guidance

This Addendum summarises the applicable timings and steps to be taken in respect of a DM Auction.

The DM Auction Process Timeline is provided by way of guidance only and does not form part of the DM Auction Procedures or override the DM Auction Procedures for any particular DM Auction.

2 DM Auction Process Timeline

<u>Step:</u>	<u>Applicable time:</u>	<u>Action:</u>
<u>1</u>	<u>Prior to the Auction Commencement Time</u>	<u>ASX Clear to provide all DM Auction Invitees with the Specific Auction Terms in respect of the DM Auction.</u>
<u>2</u>	<u>At the Auction Commencement Time on the Auction Commencement Date</u>	<u>The DM Auction commences.</u>
<u>3</u>	<u>During the Bidding Period</u>	<u>Participating Bidders to submit Bids for the relevant Auction Pool.</u>
<u>4</u>	<u>Prior to the Expiration Time</u>	<u>ASX Clear may change the Auction Commencement Date, Auction Commencement Time, Expiration Date, Expiration Time or bidding procedures.</u> <u>If such changes are in the reasonable opinion of ASX Clear materially prejudicial to a Participating Bidder that has already submitted a Bid, the Participating Bidder may with the written consent of ASX Clear revoke its Bid, if such revocation is received prior to the Expiration Time (as amended).</u>
<u>5</u>	<u>Expiration Time</u>	<u>Submission of Bids closes.</u>
<u>6</u>	<u>Acceptance Time on the Acceptance Date</u>	<u>ASX Clear will inform the winning Participating Bidder of the acceptance of its winning Bid for the Auction Pool and will notify all other Participating Bidders that they did not provide the winning Bid in respect of the Auction Pool.</u>
<u>7</u>	<u>Settlement Time on the Settlement Date</u>	<u>DM Auction Transactions of the Auction Pool are established as of the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Pool.</u> <u>Any applicable margin associated with the successful Bid becomes due and payable.</u>

Introduced [XX]

....