



# ASX CLEAR (FUTURES) OPERATING RULES

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## **PART 2 GENERAL**

### **2 [Deleted]**

### **3 ESTABLISHMENT OF ASX CLEAR (FUTURES)**

3.1.1 These Rules relate to the Clearing and Settlement Facility operated by ASX Clear (Futures) Pty Ltd.

3.1.2 ASX Clear (Futures) may provide clearing facilities in accordance with the terms of these Rules.

#### **Fees**

3.2.1 The Board may impose the following fees in such amount as it may determine from time to time:

- (a) an application fee for admission as a Clearing Participant, which shall be applied against the cost of investigation into the suitability of the applicant and shall not be refundable to the applicant.
- (b) an admission fee;
- (c) an annual fee;
- (d) a transaction fee for each contract or transaction which is registered in the name of the Clearing Participant;
- (e) a fee for the acceptance of securities or collateral for Initial Margins or their realisation or renewal of such securities as collateral;
- (f) a fee for mandatory cash settlement and delivery or exercise of options;
- (g) a Clearing Infrastructure Fee;
- (h) a Support Fee if the Clearing Participant requires support as described in Rule 16, 17 or 18; and
- (i) such other fees as it may determine.

and may impose different fees on different categories of Clearing Participant.

Clearing Participants shall pay any fees so imposed, upon demand unless another time is specified. Fees payable pursuant to the Rules may be deducted by ASX Clear (Futures) from any credit balance of any account of the Clearing Participant with ASX Clear (Futures).

Amended Jan 05, 01/07/13

3.2.2 **Obligation to Pay Fees**

- (a) Payment of annual fees shall be due on 1 January in each year or such other date as may be specified. Such annual fees shall be payable notwithstanding the suspension of a Clearing Participant's status and rights.
- (b) If a Clearing Participant fails to pay an annual fee within one (1) month of the due date its Participant status and rights shall, unless the Board or the Managing Director grants an extension of time for payment, thereupon be suspended until the sum due is paid together with interest from the due date at twelve per cent (12%) per annum or such other rate as may be fixed by the Board or the Managing Director from time to time. No such suspension shall release the Clearing Participant from its liability in respect

of its Commitment and no Commitment shall be liable to be returned except in accordance with Rule 6.

Amended 01/07/13

### 3.2.3 Monies Deposited with ASX Clear (Futures)

The Board may prescribe from time to time:

- (a) the interest rate which shall be payable with respect to monies on deposit with ASX Clear (Futures); and
- (b) the interest rate which shall be payable by Clearing Participants with respect to any monies which remain owing to ASX Clear (Futures) after the due time for payment.

ASX Clear (Futures) and Clearing Participants shall pay or receive such interest as the case may be. Subject to this provision any interest obtained by ASX Clear (Futures) from the investment of monies on deposit with ASX Clear (Futures) shall be monies to which ASX Clear (Futures) is absolutely entitled. Any monies so deposited may be invested as ASX Clear (Futures) sees fit and ASX Clear (Futures) shall not be liable for any failure to invest or to invest in a particular way.

#### **Client Agreement Forms**

### 3.3 The Board or the Managing Director may prescribe minimum terms for agreements to be entered into between Clearing Participants and their clients and may amend those terms from time to time.

Any prescriptions and variations thereto made by the Board or the Managing Director shall for the purposes of the Corporations Act be deemed to be an amendment to the Rules of ASX Clear (Futures).

#### **Disclosure of Information**

### 3.4.1 Disclosure of information regarding Clearing Participants

ASX Clear (Futures) may, where it considers it appropriate disclose information regarding its Clearing Participants and their activities that are relevant to ASX Clear (Futures) to:

- (a) the Commission;
- (b) the Reserve Bank of Australia;
- (c) the Australian Prudential Regulation Authority;
- (d) the Exchange;
- (e) a Clearing & Settlement Facility; and
- (e) any governmental agency or regulatory authority.

Introduced 02/08/13

### 3.4.2 ASX Clear (Futures) may disclose information

ASX Clear (Futures) will take all reasonable measures to protect from unauthorised use or disclosure information provided to ASX Clear (Futures) in confidence by or on behalf of a Clearing Participant pursuant to the Rules. For the purposes of this Rule the disclosure of information in the following circumstances does not constitute unauthorised use or disclosure:

- (a) pursuant to a Reciprocal Arrangement;

- (b) required to be disclosed by ASX Clear (Futures) under any law or any order of any court or tribunal, authority or regulatory body;
- (c) which at the time of disclosure to or by ASX Clear (Futures), was generally available to and known by the public;
- (d) for the purposes of monitoring compliance with, or the enforcement of, the Rules or the adjudication of those matters (including, without limitation, to the Old Tribunal (as defined in Rule 12B) or the Appeal Tribunal);
- (e) to a Related Body Corporate of ASX Clear (Futures), for the purpose of enabling that Related Body Corporate to assess whether the Participant is complying with, will comply with or has complied with the operating rules of, or any contractual arrangement with, that Related Body Corporate;
- (f) to an Approved Market Operator or Approved Settlement Facility, for the purpose of enabling the Approved Market Operator or Approved Settlement Facility to assess whether the Clearing Participant (or a Participant of the Exchange for whom the Clearing Participant clears Futures Contracts) is complying with, will comply with or has complied with the Approved Market Operator's or Approved Settlement Facility's rules or procedures;
- (g) to any governmental agency or regulatory authority including, without limitation, an exchange (including, without limitation, an Approved Market Operator), market, clearing house or clearing and settlement facility (in Australia or elsewhere) which requests ASX Clear (Futures) to provide the information to it, in the proper exercise of its powers relating to:
  - (i) the order and good government of Participants; or
  - (ii) the efficient, honest, fair, competitive and informed trading, clearing and settlement of Futures Contracts (in Australia or elsewhere); and
- (h) any entity which provides financial backing or insurance to ASX Clear (Futures) for the purpose of enabling that entity to assess the risk to ASX Clear (Futures) or that entity from clearing activities generally or to assess any claim made in connection with a Clearing Participant's activities.

Introduced 02/08/13

## **4 BECOMING A CLEARING PARTICIPANT**

- 4.1 A corporation (or in special circumstances to the satisfaction of the Board and with the consent of the Board a person or body other than a corporation not being an individual) may apply to become a Clearing Participant with access to the facilities of ASX Clear (Futures).
- 4.2 An applicant who wishes to be approved as a Clearing Participant shall lodge with the Board:
  - (a) an application in the Prescribed form signed by the applicant;
  - (b) such information concerning the applicant and supported by such evidence as the Board may prescribe
  - (c) an undertaking by the applicant in the Prescribed form to abide by these Rules as amended from time to time, if the application is granted; and
  - (d) an application fee of an amount determined from time to time in accordance with Rule 3.2.

### **Explanatory Note**

Refer to [Procedure 4.2A Becoming a Clearing Participant](#).

- 4.3 Where the applicant is a prospective Participant or Dealer of the Exchange the applicant shall lodge or cause to be lodged with ASX Clear (Futures) a copy of the application to become an Exchange Participant or Dealer, as the case may be, made by the prospective Participant or Dealer. The Board may rely on any information contained in such application as if it formed part of its application for approval as a Clearing Participant. (Amended 2/1/02)
- 4.4 In considering the application, the Board may call for the information provided pursuant to Rule 4.2(b) and such other information as it considers necessary and where the Board is satisfied that:
- (a) the applicant satisfies or will satisfy the Financial Requirements;
  - (b) the applicant is in good standing;
  - (c) the applicant is of good character, high business integrity and financial probity;
  - (d) in the case of a Corporation, the directors of the applicant, those concerned in its management and those who have control or substantial control of the corporation are of good character and of high business integrity and financial probity;
  - (e) the applicant has or will have managerial, operational, financial and appropriate complementary business continuity arrangements in place to enable it to meet its ongoing obligations as a Clearing Participant pursuant to the Rules and in particular is in a position to make immediate transfer of funds to meet its obligations;
  - (f) in the case of a Corporation the applicant is incorporated in Australia or registered in Australia as a foreign company unless the corporation does not carry on business in Australia and this requirement is waived by the Board on condition that the applicant has nominated an address for service in Australia, and on such other conditions as it sees fit;
  - (g) the applicant satisfies or will satisfy any legal requirements either in Australia or elsewhere to operate as a Clearing Participant; and
  - (h) the applicant is otherwise a fit and proper person to be a Clearing Participant,
- the Board may in its absolute discretion approve the application.
- 4.5 Any meeting of the Board held for the purpose of approving an application shall only be held on notice in writing of not less than forty-eight (48) hours given to all members of the Board and any resolution approving an application to become a Clearing Participant shall require the affirmative votes of not less than seventy-five per cent (75%) of all Board members present and entitled to vote at such meeting. The Board shall not be obliged to furnish any reason for its decision. The Board may as a condition of its approval impose such conditions on the applicant as it sees fit and the applicant shall comply with any conditions. Any such conditions may be required by the Board to be complied with before or after admission as a Clearing Participant or may be of a continuing nature.
- 4.6 An approval of the Board to admit a Clearing Participant shall not take effect until the Clearing Participant has paid to ASX Clear (Futures):
- (i) an admission fee of such amount as the Board may determine from time to time; and
  - (ii) an annual fee or a proportion thereof, as the Board may determine in each case.

Amended 01/07/13

4.7 Unless the requirements of clause 4.6 are satisfied within two months of the date of the approval by the Board or such further time as the Board may in its absolute discretion allow, the approval shall lapse.

4.7A At the time when ASX Clear (Futures) admits an applicant as a Clearing Participant, or at any later time on the application of a Clearing Participant, ASX Clear (Futures) will impose a standard condition on the admission of the Clearing Participant that specifies the category or categories of Market Contracts (including, if applicable, OTC Transactions) that the Clearing Participant is authorised to clear through ASX Clear (Futures).

Introduced 01/07/13

4.7B Any approval of ASX Clear (Futures) to authorise a Clearing Participant to clear a category or categories of Market Contracts does not take effect until the applicant has provided its Commitment to ASX Clear (Futures) as required by these Rules and, if applicable, the OTC Rules. Unless this requirement is satisfied within two months of the date of the approval by ASX Clear (Futures), or such further time as ASX Clear (Futures) may in its discretion allow, the approval lapses.

Introduced 01/07/13

4.8 Subject to these Rules, a Clearing Participant shall be entitled to have a Market Contract registered in its name, or receive an Allocation or Transfer, after it has to the reasonable satisfaction of the Board or Managing Director established all necessary financial, managerial, operational and appropriate complementary business continuity arrangements to carry out its obligations as a Clearing Participant in respect of the relevant category of Market Contract.

4.9 Recognition as a Clearing Participant is a privilege granted by the Board and subject to the Rules may be withdrawn by the Board for cause at any time. A Clearing Participant shall not purport to pledge or otherwise encumber its rights as a Clearing Participant and ASX Clear (Futures) shall not be required to recognise any trust in relation to any such rights.

4.10 The requirements of Rule 4.4 (a) to (h) are continuing. ASX Clear (Futures) may impose or vary any conditions it sees fit on admission at any time. A Clearing Participant shall at all times ensure that these requirements are satisfied and otherwise comply with the Rules. A Clearing Participant shall immediately notify ASX Clear (Futures) if it breaches or is likely to breach any of these requirements.

Amended 30/12/09, 01/07/13

#### **Undertaking to Abide by the Rules**

- 4.11 (a) Subject to Rule 4.11(b), each Clearing Participant agrees to be bound by the Rules in its dealings with ASX Clear (Futures) and with each other Clearing Participant and each Clearing Participant agrees that the provisions of the Rules shall be binding on the Clearing Participant as between the Clearing Participant and ASX Clear (Futures) and as between the Clearing Participant and every other Clearing Participant. Each Clearing Participant shall also comply in full with any undertaking given, or condition imposed by the Rules. Further, each Clearing Participant must comply with any condition imposed by ASX Clear (Futures) on the admission of a Participant.
- (b) Rule 4.11(a) applies to each Clearing Participant that is a Facility Participant except to the following extent:

- (i) Rules 31 and 43 do not apply to a Facility Participant and to a Market Contract that becomes registered with the Facility Participant.
- (ii) Rules 44, 45 and 47 do not apply to a Facility Participant where both the position of a Seller and the position of a Buyer under a Market Contract are registered with the Facility Participant.
- (c) Clearing Participants shall lodge with ASX Clear (Futures) on request from time to time, an undertaking in the form required by ASX Clear (Futures) and to the effect set out in Rule 4.11(a) duly signed by the Clearing Participant.
- (d) If ASX Clear (Futures) has not received an undertaking as referred to above signed by the Clearing Participant on the due date, the status and rights of the Clearing Participant will be suspended until the signed undertaking is received by ASX Clear (Futures). No such suspension shall release the Clearing Participant from its liability in respect of its Commitment and no Commitment shall be liable to be returned except in accordance with Rule 6.
- (e) A Clearing Participant has the primary responsibility for compliance with the Rules and shall ensure that its officers and representatives shall comply with them.
- (f) Where any Clearing Participant:
  - (i) undertakes any action, or course of actions which is contrary to a provision of the Rules; or
  - (ii) fails for any reason to act in accordance with a provision of the Rules, including, without limitation, failure to maintain any document or record, failure to give any notice or notification, or failure to comply with an undertaking or condition, required by or imposed under the Rules; or
  - (iii) fails to comply with or continue to comply with any requirement or condition for application for Participation Entitlements;
 then the Clearing Participant shall thereby have committed a breach of the Rules and/or relevant provisions of the Rules.
- (g) The ASX Enforcement and Appeals Rulebook form part of the Rules where relevant for the purposes of the Corporations Act.

Amended 04/12/02, 31/03/08, 30/12/09, 01/08/10, 01/07/13

### **General Conduct of Clearing Participants**

- 4.12 (a) Clearing Participants shall at all times:
- (i) Act in a manner consistent with the promotion and protection of the goodwill and public image of ASX Clear (Futures) and its Clearing Participants.
  - (ii) Pay its debts as and when they fall due.
  - (iii) Comply in all respects with the Corporations Law and Rules and accept and act consistently with decisions of the Board, its Committees and the Business Conduct Committee.
- (b) Where the Operating Rules of Exchange purport to impose an obligation on a Clearing Participant, the Clearing Participant shall comply with that obligation as though it were an obligation created by, and included in, these Rules.



- (c) Clearing Participants shall at all times co-operate with ASX Clear (Futures), the Appeal Tribunal and ASX Clear (Futures) staff:
- (i) in complying with any conditions imposed on it under these Rules;
  - (ii) in complying with the Rules, directions and decisions and requirements of ASX Clear (Futures); and
  - (iii) in the performance of their respective duties imposed by ASX Clear (Futures) (including as may be affirmed or varied by the Appeal Tribunal (as the case may be following an appeal against such action) pursuant to the provisions of the ASX Enforcement and Appeals Rulebook) and Exchange Officials, Appeal Tribunals and ASX Clear (Futures) staff, in particular make available to those Appeal Tribunals or ASX Clear (Futures) staff its accounting and other records.

Amended 31/08/04, 30/12/09, 01/08/10

4.13 No Clearing Participant shall:

- (a) Deal on behalf of a person other than in accordance with instructions accepted by the Participant from that person.
- (b) Cheat, defraud, or deceive or attempt to cheat, defraud, or deceive any Client.
- (c) Make or cause to be made to a Client a report, or enter or cause to be entered for a Client a record, which report or record the Participant knows (or ought reasonably to know) to be false.
- (d) Submit information to ASX Clear (Futures) or its agents which the Clearing Participant knows (or ought reasonably to know) to be false or misleading.

4.14 Subject to Rule 4.15 it shall be the responsibility of each Clearing Participant:

- (aa) To provide to ASX Clear (Futures) a copy of a prescribed audit report within three (3) months of its financial year end.
- (a) To provide to ASX Clear (Futures) an annual audit certificate in the prescribed form within three (3) months of its financial year end unless the Clearing Participant is an Australian Bank.
- (b) To provide to ASX Clear (Futures) a copy of any licence or approval granted to it by a regulatory authority to enable it to carry on its business and to advise ASX Clear (Futures) of any variation to the conditions of such licence or of the suspension or cancellation of such licence.
- (c) Not to employ any person who has been a Clearing Participant (or a Director, partner, employee or representative of a Clearing Participant), without first obtaining the written approval of ASX Clear (Futures), if that person has to the knowledge of the Clearing Participant taken part or been concerned in any failure to comply with the Rules which failure has been found to have occurred by the Board or ASX Clear (Futures) under Rule 10, and where the Board or ASX Clear (Futures) has determined (at the time that action is taken under Rule 10 or at some later time) that this provision shall apply in relation to the person.

For the purposes of this sub-clause (c) the words “to employ” and cognate expressions shall include agreeing or arranging with a person for that person to act as the Clearing Participant’s representative in relation to transactions cleared by ASX Clear (Futures).

- (d) To advise ASX Clear (Futures) In Writing of any change in its partners, Directors or shareholders within twenty-one (21) days of such occurring provided that in the case of a listed public company it shall be deemed sufficient compliance with this paragraph in relation to shareholders if the Clearing Participant provides to ASX Clear (Futures) copies of all notifications given by it to the home stock exchange on which the Clearing Participant is listed, or if it is not listed then copies of notices served upon it pursuant to any law requiring shareholders to disclose a share holding in excess of five per cent (5%) of the issued capital of that Clearing Participant or such other percentage as may be provided for in the Corporations Act for the purposes of ascertaining substantial shareholding.
- (e) To effect and maintain such form of indemnity as ASX Clear (Futures) may from time to time determine to be appropriate to protect the interests of Clients of the Clearing Participant.
- (f) To notify ASX Clear (Futures) In Writing immediately upon the happening of any one or more of the following:
- (i) the appointment of a receiver or liquidator in respect of the property of the Clearing Participant; and/or
  - (ii) the bankruptcy of any partner or Director of the Clearing Participant.
- (g) To maintain internal records of instructions received from Clients and clearing services provided for Clients showing:
- (i) the time and date of receipt of instructions;
  - (ii) the nature of the instructions received;
  - (iii) the time and date of transmission of instructions; and
  - (iv) the time and date of execution of instructions,
- for a period of not less than seven (7) years from the date of the service.
- (h) To maintain separate internal records of its own orders and trading, showing:
- (i) the time and date of receipt of instructions;
  - (ii) the nature of the instructions received;
  - (iii) the time and date of transmission of those instructions; and
  - (iv) the time and date of execution of those instructions,
- for a period of not less than seven (7) years.
- (i) To maintain such accounting records as correctly record and explain the transactions of the Clearing Participant and the financial position of the Clearing Participant and in addition will enable compliance with these Rules to be conveniently ascertained by ASX Clear (Futures), such records to be maintained in a form that will enable them to be conveniently and properly audited.
- (j) Before accepting a person as a Client, to have in force with such person an agreement duly signed by the Clearing Participant and the Client containing minimum terms to the following effect:
- (i) **Governing Law and Rules**  
The Client and Participant are bound by the ASX Clear (Futures) Rules and the customs, usages and practices of ASX Clear (Futures) and the Exchange's Markets.

**(ii) Client to Provide Information**

In relation to the Client's trading on the Exchange the Client will upon the Clearing Participant's request, provide all information and documentation relevant to that trading, to the Clearing Participant and the Clearing Participant is authorised by the Client to provide the information and documentation to the Exchange and ASX Clear (Futures).

**(iii) Benefit to Participant of Contract Registration with ASX Clear (Futures)**

Any benefit or right obtained by any Clearing Participant upon registration of a contract with ASX Clear (Futures) by way of assumption of liability of ASX Clear (Futures) under any contract or any other legal result of such registration is personal to the Clearing Participant and the benefit of such benefit or right does not pass to the Client.

**(iv) Client only has Rights Against Participant**

In relation to all trades conducted on the Exchange by a Full Participant and all Contracts registered by the Clearing Participant with ASX Clear (Futures) the Client has no rights whether by way of subrogation or otherwise, against any person or corporation other than the Clearing Participant.

**(v) Margins**

An acknowledgment by the Client that:

- (A) the Clearing Participant may call for payment of Margin such money or property (or Call for the lodgement of Approved Securities in lieu thereof) as the Clearing Participant, in its absolute discretion, feels is necessary to protect itself from the personal obligation incurred by Dealing in Contracts on behalf of the Client.
- (B) should the Client fail to meet the Call (or lodge Approved Securities) then the Clearing Participant may (without prejudice to any other rights or powers under the Agreement) in its absolute discretion, and without creating an obligation to do so, Close Out, without notice, all or some of the Client's Contracts.
- (C) the time for payment of Margins is of the essence and if no other time is stipulated by the Clearing Participant prior to calling a Margin then the Client is required to comply within twenty-four (24) hours.
- (D) liability to pay the Initial Margin accrues at the time the trade is executed regardless of when a Call is made.
- (E) liability to pay Margin accrues at the time the Margin comes into existence regardless of when a Call is made.
- (F) the Client is responsible to pay in cash any deficit owing to the Clearing Participant after closure and that if the Client defaults in payment of such deficit, the Clearing Participant may realise any securities held by the Clearing Participant and apply the proceeds against that deficiency.

**(vi) Appointment of Attorney**

An appointment by the Client of the Managing Director of ASX Clear (Futures) as the Client's attorney to do all things necessary to transfer any Open Position held by the Clearing Participant on the Client's behalf to another Clearing Participant where the Clearing Participant status of the Clearing Participant has been suspended or terminated.

**(vii) Exchange Data**

An acknowledgment by the Client who has access to electronic order facilities that:

- (A) data made available to the Client by access to electronic order entry facilities is not the property of the Clearing Participant and remains the valuable property of the Exchange; and
- (B) the client is prohibited from publicly displaying, redistributing or re-transmitting the data in any way without having executed a Market Data Distribution Agreement or similar agreement with the Exchange.

**(viii) Tape Recordings**

An acknowledgment by the Client that the Client's telephone conversations with the Clearing Participant can be recorded by the Clearing Participant or the Exchange. The Client is to be given the right to listen to any recording in the event of a dispute or anticipated dispute.

**(ix) Right to Refuse to Deal**

An acknowledgment by the Client that the Clearing Participant reserves the right to refuse to Deal on behalf of the Client in relation to any Dealings in Contracts (other than closing out existing Open Positions held in the Clearing Participant's account on behalf of the Client) or limit the number of Open Positions held on behalf of the Client or both. The Clearing Participant will inform the Client of any refusal at or before the time of the Client placing the order or as soon as possible thereafter.

**(x) Termination and Closing Out**

An acknowledgment that:

- (A) without affecting any existing obligations or liabilities, either the Client or the Clearing Participant may terminate the agreement at any time by giving the other notice In Writing to that effect;
- (B) upon termination of the Client Agreement that unless otherwise agreed In Writing the Clearing Participant will Close out all the Client's Futures Contracts and Close Out, abandon or exercise any Options not yet exercised.

To the extent that the Client Protection Model Provisions apply to a Client, the terms addressing the requirements in Rule 4.14(j)(iii) and (iv) do not apply.

- (ja) Rule 4.14(j) does not apply where the Client is a Full Participant, in which case an agreement containing this term is deemed to have been entered and come into effect immediately upon the Clearing Participant accepting

- the first instruction from the Client to enter a contract on the Exchange's Markets and/or register a contract with ASX Clear (Futures);
- (k) To ensure that whilst such person is a Client an agreement as referred to in paragraph (j) above remains in force.
  - (l) Not to permit any one Client (in which context the expression "Client" shall include all persons, Firms and corporations related to associated or affiliated with the Client or otherwise financially dependent upon the Client) to represent such a percentage of the business operations of the Clearing Participant as may prejudice or diminish the ability of the Clearing Participant to meet its obligations under these Rules.
  - (m) Not knowingly to deal on behalf of any Director, partner or employee of any other Clearing Participant, entitled to deal on behalf of Clients, or on behalf of any account in which such Director, partner or employee has an interest either direct or indirect. For the purpose of this sub-clause "employee" shall include persons who as a representative of the Clearing Participant advise or solicit instructions from persons or corporations in relation to transactions cleared by ASX Clear (Futures). The provisions of this sub-clause shall not apply to clearing by a Clearing Participant through another Clearing Participant.
  - (n) Not to advertise or permit any other person, firm or corporation over which the Clearing Participant has control to advertise in any manner which may be false or misleading or prejudicial to the goodwill and public image of ASX Clear (Futures) or Clearing Participants.
  - (o) Not to issue, or cause to be issued, any unsolicited business communication In Writing to any person or persons (such expressions not to include companies listed on any Australian Stock Exchange for the purpose of this clause other than its Client without first obtaining the written approval of ASX Clear (Futures).

Amended 31/03/08, 02/11/09, 30/12/09, 01/07/13, [ ]/13

**Explanatory Note**

Refer to [Procedure 4.14 Becoming a Clearing Participant](#).

**[Explanatory Note:**

- *New Rule 4.14(aa) provides that each Clearing Participant shall provide to ASX Clear (Futures) a copy of a prescribed audit report within 3 months of its financial year end. This new Rule 4.14(aa) replaces the similar requirement which previously existed in the Futures Procedures.*
- *The amendment to 4.14(j) provides that to the extent the Client Protection Model Provisions apply, the terms addressing the requirements in Rule 14.4(j)(iii) and (iv) do not apply.]*

- 4.15 ASX Clear (Futures) may dispense with or temporarily postpone compliance by the Clearing Participant with any of the provisions of Rule 4.14 upon such conditions (if any) as ASX Clear (Futures) sees fit.

Amended 31/03/08

**5 COMMITMENT TO SUPPORT OBLIGATIONS OF ASX CLEAR (FUTURES)**

- 5.1 Each Clearing Participant shall provide a commitment to the financial support of the obligations of ASX Clear (Futures) in accordance with and subject to the Rules (the Commitment):

- (a) of such amount and for such term as is provided for in the Rules;
- (b) in cash or in such other form as the Board may allow; and
- (c) which may readily, unequivocally and irrevocably be applied to support and discharge the financial obligations of ASX Clear (Futures) under Open Contracts, in the event of a Default, in accordance with Rule 7.

- 5.2 Without limiting the generality of Rule 5.1 the Board may determine that the Commitment may be provided in the form of an irrevocable Letter of Credit issued by an Australian Bank or by the provision of securities or other collateral, or in such other form as may be determined by the Board. The Board may prescribe limits on the letters of credit or other securities or collateral which may be provided from any one Bank or other entity.
- 5.3 The Board may in its absolute discretion determine the value of any Commitment provided otherwise than in cash or irrevocable commitment to provide cash for the purpose of determining whether a Clearing Participant has provided a Commitment of an amount which satisfies the provisions of the Rules.
- 5.4 The Board may at any time require a Clearing Participant to alter the form of its Commitment in any way and the Clearing Participant shall effect such alteration forthwith or by such time as the Board requires. Failing such alteration the Board may realise or apply any security or collateral when in the opinion of the Board such alteration or realisation is necessary to ensure compliance with Rule 5.1.
- 5.5 Without limiting the generality of Rule 5.4 the Board may at any time require the provision of replacement or additional letters of credit, substitute or additional securities or collateral or such other form of Commitment as is necessary to satisfy the Board that the Commitment of the Clearing Participant is of an amount and form which meets the requirements of By-law 5.1. A Clearing Participant shall comply with such requirement.
- 5.5A The Futures Commitment required from a Futures Participant is determined in accordance with Rule 5.6. The OTC Commitment required from an OTC Participant is determined in accordance with the OTC Rules. A Clearing Participant which is both a Futures Participant and an OTC Participant must comply with the Commitment obligations of a Futures Participant and of an OTC Participant.

Introduced 01/07/13

- 5.6 Subject to Rule 7.6 the Futures Commitment of a Futures Participant shall be:
- (i) A "Fixed Commitment" comprising:
    - (A) A minimum Commitment of two million dollars (\$2,000,000) by each Futures Participant; or
    - (B) Where the Futures Participant is also a BRC Participant and engages in Futures Contracts and Options Contracts clearing and in Bond and Repurchase Clearing, a minimum Commitment of four million dollars (\$4,000,000) for that Participant.

Provided however that where a Futures Participant is a BRC Participant and engages only in Bond and Repurchase Clearing, paragraph (B) shall not apply and the minimum Commitment shall be two million dollars (\$2,000,000) in accordance with paragraph (A).
  - (ii) An additional Commitment (the "Variable Commitment") by each Futures Participant sufficient to bring the total aggregate amount committed by

Futures Participants under the Futures Commitment (FC) to an amount in dollars calculated in accordance with the following formula:

$$FC = d + (n \times \$2,000,000)$$

where:

- n = number of Futures Participants which are also BRC Participants (excluding those which cease clearing Futures Contracts and Options Contracts and which engage only in Bond and Repurchase Clearing); and
- d = one hundred million dollars (\$100,000,000) or such lesser amount determined by the Board calculated by reference to all Futures Participants' Open Positions (excluding OTC Open Positions) or Aggregate Initial Margins (excluding OTC Initial Margins) or on such other similar basis as the Board may determine.

The manner of calculation of the Variable Commitment shall be as Prescribed in the Schedules. For any period during which the total aggregate Fixed Commitments under sub-paragraph (i) are in excess of FC, no Variable Commitment shall be capable of being called pursuant to Rule 7.1. The Variable Commitment calculated in accordance with this sub-paragraph (ii) shall be recalculable at the intervals Prescribed in the Schedules.

For the purposes of this sub-paragraph (ii), in the case of BRC Participants the Variable Commitment may be determined by the Board at its discretion by reference to the value of Bond Transactions or Repurchase Agreements cleared by each BRC Participant (rather than by reference to Open Positions or Aggregate Initial Margins) or on such other similar basis as the Board may determine. In all other respects this sub-paragraph (ii) applies to BRC Participants.

The amount of the Futures Commitment held by ASX Clear (Futures) may exceed the amount as determined in accordance with the foregoing in circumstances where a Futures Participant is admitted at a time other than the beginning of a new quarter.

Amended 01/03/08, 01/07/13

- 5.7 Each Clearing Participant shall provide by such time as Prescribed Additional Commitment to ensure that its obligations under Rule 5.6 are met at all times. ASX Clear (Futures) may release a Clearing Participant's Commitment in whole or in part to enable the Commitment of a Clearing Participant to be reduced to that required by Rule 5.6. Where there is a Default the Commitment of a Clearing Participant shall notwithstanding this Rule 5.7 not be reduced below the Clearing Participant's liability or likely liability under Rule 7.5 and pending the finalisation of the Default procedures under Part 7 of the Rules the requirement of a Clearing Participant to provide a Commitment shall be adjusted accordingly.

#### **Adjustment of Clearing Participant Commitments**

- 5.7A Notwithstanding anything else in the Rules, the Board or Managing Director may determine that Clearing Participants or a Clearing Participant shall provide to ASX Clear (Futures) a Commitment for a period of not more than five business days after the amount of Commitment is adjusted in accordance with the Rules or a Commitment expires, of an amount equivalent to that required prior to that adjustment or expiry to be available to meet any default arising prior to that adjustment or expiry.

Introduced 19/07/96

- 5.8 ASX Clear (Futures) may in its absolute discretion pay each Clearing Participant an Accommodation fee in respect of its Commitment in recognition of and to compensate for the assumption of risk by the Clearing Participant. Such fee shall be as determined from time to time by the Board with due regard for the risk, exposure and amount of the Commitment of a Clearing Participant and may be, set on different bases for different categories of Clearing Participants.

Amended 01/07/13

- 5.9 ASX Clear (Futures) will pay a Clearing Participant interest on a Commitment provided in cash at the rate determined by ASX Clear (Futures) from time to time, provided that ASX Clear (Futures) may withhold any interest where in the opinion of the Board or Managing Director withholding such interest is necessary to ensure that the Clearing Participant is in compliance with Rule 5.1 and in such case such interest may be used by the Board as part of the Participant Commitment.

Amended 01/07/13

- 5.10 The Board may, with the agreement of a Clearing Participant and in addition to the obligation of a Clearing Participant to provide financial support under this Rule 5, obtain from a Clearing Participant additional financial backing to support the obligations of ASX Clear (Futures) on such terms as is agreed with the Clearing Participant.

- 5.11 The Board may, in its absolute discretion, waive the requirement for particular BRC Participants to make the Commitment under this clause 5.

## **6 WITHDRAWAL OF CLEARING PARTICIPANT COMMITMENT**

- 6.1 A Clearing Participant is not entitled to withdraw its Commitment, and ASX Clear (Futures) is not obliged to repay or transfer Commitment, except on the Clearing Participant's resignation of the authorisation to which the Commitment relates in accordance with Rule 11.1, or termination of its rights and status as a Clearing Participant in accordance with Rule 72.1(i).

Introduced 01/07/13

- 6.2 A Clearing Participant's Futures Commitment or OTC Commitment (as applicable) shall remain available for application by ASX Clear (Futures) in accordance with Rule 7 in respect of a Default by any Clearing Participant that occurs prior to the Clearing Participant's resignation of the relevant authorisation or termination becoming effective in accordance with Rule 11.1 or Rule 72.1A (as applicable). ASX Clear (Futures) must not apply the Clearing Participant's Commitment in accordance with Rule 7 in respect of a Default by another Clearing Participant that occurs after the Clearing Participant's resignation or termination becomes effective.

Introduced 01/07/13

- 6.3 The Clearing Participant's Futures Commitment or OTC Commitment will be returned to it on the first Business Day of the New Quarter (as defined in Schedule 10) immediately following the date on which its resignation in respect of the relevant authorisation or termination is effective.

Introduced 01/07/13

## **7 SATISFACTION OF OBLIGATIONS OF ASX CLEAR (FUTURES)**

- 7.1 Without affecting ASX Clear (Futures)'s rights as otherwise provided in the Rules, upon Default by a Clearing Participant the Board shall be entitled, in satisfying ASX



Clear (Futures)'s obligations, subject to Part 7 of the Rules, to apply the following assets in the order stipulated in whole or in part:

- (a) *first*, any moneys, securities, collateral or property held by ASX Clear (Futures) in any account of, or in respect of, the Clearing Participant in Default (including, subject to the provisions of Rules 41.5, 41.6 and 41.7<sup>1</sup> restricting access to a Client Clearing Account, a Client Clearing Account of the Clearing Participant in Default);
- (b) *second*, the proceeds of the Commitment (including all Futures Commitment and all OTC Commitment) of the Clearing Participant in Default;
- (c) *third*, any assets of ASX Clear (Futures) designated under the Procedures for the purposes of this paragraph up to the amount specified in the Procedures (such amount to be \$120,000,000 or such greater amount as the Board in its discretion may from time to time determine);
- (d) *fourth*:
  - (i) if the Clearing Participant in Default is a Futures Participant and is not an OTC Participant, the proceeds of the Futures Commitments of all Futures Participants (other than the Clearing Participant in Default) as provided by Rule 7.5, up to the total aggregate amount committed by all Futures Participants under the Futures Commitment ("**FC**") calculated in accordance with the formula set out in Rule 5.6 (including the Commitment of the Clearing Participant in Default) ("**Relevant Futures Commitments**");
  - (ii) if the Clearing Participant in Default is an OTC Participant and is not a Futures Participant, the proceeds of the OTC Commitments of all OTC Participants (other than the Clearing Participant in Default) as provided by Rule 7.5, up to the total aggregate amount of OTC Commitment committed by all OTC Participants calculated in accordance with the OTC Rules (including the OTC Commitment of the Clearing Participant in Default) ("**Relevant OTC Commitments**");
  - (iii) if the Clearing Participant in Default is both a Futures Participant and an OTC Participant, an amount equal to the aggregate of:
    - (A) the Futures Commitment Proportion of the Relevant Futures Commitments; and
    - (B) the OTC Commitment Proportion of the proceeds of the Relevant OTC Commitments.

For this purpose:

"**Futures Commitment Proportion**" is the proportion calculated by dividing:

- (a) the daily average Initial Margin obligation of the Clearing Participant in Default that was attributable to Open Contracts other than OTC Open Contracts and OTC Allocated Futures Contracts

by:

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<sup>1</sup> CPM references to be added.

- (b) the daily average Initial Margin obligation of the Clearing Participant in Default that was attributable to all of its Open Contracts (including OTC Open Contracts and OTC Allocated Futures Contracts).

“**OTC Commitment Proportion**” is the proportion calculated by dividing:

- (c) the daily average Initial Margin obligation of the Clearing Participant in Default that was attributable to OTC Open Contracts and OTC Allocated Futures Contracts

by:

- (d) the daily average Initial Margin obligation of the Clearing Participant in Default that was attributable to all of its Open Contracts (including OTC Open Contracts and OTC Allocated Futures Contracts).

For the purpose of each of the above calculations, the “**daily average Initial Margin obligation**” is calculated by dividing the sum of the Clearing Participant’s Initial Margin obligation for the relevant Open Contracts on each Business Day in the 90 days immediately preceding the day on which the Default first occurred by the number of Business Days in that period.

- (e) *fifth*, proceeds of any insurance or other assets available to ASX Clear (Futures) as designated for the purposes of this paragraph up to the amount specified in the Procedures (such amount to be \$150,000,000 or such greater amount as the Board in its discretion may from time to time determine) provided that in the case of any relevant policy of insurance the relevant excess has been exceeded;

- (f) *sixth*, proceeds of

- (i) the Relevant Futures Commitments; and
- (ii) the Relevant OTC Commitments,

in each case to the extent that they have not already been applied above. If there is both Relevant Futures Commitments and Relevant OTC Commitments available to be applied then the allocation between them is to be conducted proportionally on the basis of the total amount of each of them which was available to be applied under this paragraph (f);

- (g) *seventh*, the proceeds of any additional financial backing of Clearing Participants as referred to in Rule 5.10; and

- (h) *eighth*, any other monies or other assets available to ASX Clear (Futures) [designated under the Procedures for the purposes of this paragraph up to the amount specified in the Procedures.](#)

[\[Explanatory Note: This amendment provides the required reference to the Procedures where \\$180M of monies provided by ASX Clear \(Futures\) on 1 July 2013 is specified for the purpose of this tranche of the default waterfall.\]](#)

Amended 15/07/11, 01/07/13

7.2 To enable ASX Clear (Futures) to meet its obligations in a timely manner to Clearing Participants not in Default:

- (a) Pending the realisation of any part of the assets referred to in Rule 7.1 the Board may borrow or otherwise seek accommodation or make other financial arrangements as it sees fit.

(b) Pending recovery of an asset in a paragraph of Rule 7.1 access may be had by ASX Clear (Futures) to assets referred to in a subsequent paragraph of Rule 7.1 subject to prompt adjustment when an asset in a preceding paragraph has been recovered PROVIDED THAT no access shall be had to the assets referred to in:

(i) paragraphs (d) or (f) of Rule 7.1 until the assets referred to in paragraph (c) have been exhausted; and

(ii) paragraph (f) of Rule 7.1 until the assets referred to in paragraph (e) have been exhausted.

AND PROVIDED FURTHER that ASX Clear (Futures) shall not be required to have access to assets referred to in a paragraph of Rule 7.1 pending the realisation of available assets referred to in a preceding paragraph.

Amended 15/07/11, 01/07/13, [ ]/13

*[Explanatory Note: The amendment to this Rule 7.2 means that no access can be had to the assets referred to in paragraph (f) of Rule 7.1 until the assets referred to in paragraph (e) have been exhausted.]*

7.3 Any application of monies or assets, whether permitted by Rule 7.1 or any other provision of these Rules, shall not preclude or limit ASX Clear (Futures) from seeking recovery from the Clearing Participant in Default or Clearing Participants in Default of any amount properly payable by that Participant or Participants including, without limitation, any Commitment.

7.4 The Board shall have absolute discretion to determine whether to seek recovery in accordance with Rule 7.3. However, if any one or more Non-Defaulting Clearing Participants provides ASX Clear (Futures) with:

(a) an indemnity of any payment, liability or obligation which ASX Clear (Futures) may thereby incur, in such form as the Board may prescribe; and

(b) security for the costs of ASX Clear (Futures) in the form and in an amount as advised by the Board,

then the Board shall proceed to seek recovery in accordance with Rule 7.2, except where the Board resolves that to do so would be contrary to the best interests of ASX Clear (Futures) or the Clearing Participants, or to the maintenance of an orderly and fair market.

7.5 For the purposes of Rule 7.1(d) and (f), ASX Clear (Futures) shall be entitled in satisfying its obligations to call in full or in part any Commitment up to the total amount committed by a Clearing Participant. Such call to be calculated as follows:

**Futures Commitment of Futures Participants**

- (a) Until the Fixed Commitment of the Futures Commitment of each Futures Participant is exhausted a call or calls on Futures Commitments of Futures Participants shall be met equally by Futures Participants.
- (b) Once the Fixed Commitments of the Futures Commitment of Futures Participants have been exhausted then any further call or calls or part of a call or calls against the Futures Commitment shall be met by Futures Participants in the same proportion as their Variable Commitment as at the date of the Default bears to the Variable Commitments of all non-defaulting Futures Participants. If the Futures Commitment of any Futures Participant is exhausted then any remaining liability shall be shared on the same basis between the remaining Non-defaulting Futures Participants.

### OTC Commitment of OTC Participants

- (c) Until the Fixed OTC Commitment of each OTC Participant is exhausted a call or calls on Fixed OTC Commitments of OTC Participants shall be met equally by OTC Participants.
- (d) Once the Fixed OTC Commitments of the OTC Participants have been exhausted then any further call or calls or part of a call or calls on the OTC Commitment shall be met by OTC Participants in the same proportion as their Variable OTC Commitment as at the date of the Default bears to the Variable OTC Commitments of all Non-defaulting OTC Participants. If the OTC Commitment of any OTC Participant is exhausted then any remaining liability shall be shared on the same basis between the remaining Non-defaulting OTC Participants.
- (e) However, ~~if ASX Clear (Futures) determines that one or more OTC Participants which were required to participate in a DM Auction as defined in, and in accordance with, the OTC Rules and did not submit a Bid (as defined in the OTC Handbook) for one or more Auction Units, then,~~ despite (c) and (d), ~~ASX Clear (Futures) will apply these OTC Participants' if the OTC Rules provide for a different order of application, or manner of sharing, between OTC Participants of their~~ Fixed OTC Commitment and Variable OTC Commitment ~~ahead of all other OTC Participants' Fixed OTC Commitment and Variable~~ then the OTC Rules are to be complied with OTC Commitment (respectively).

Where Commitments or any part thereof of a Clearing Participant or Clearing Participants are utilised under this or any other provision of the Rules in satisfying the obligations of ASX Clear (Futures), subject to Rule 73.4, ASX Clear (Futures) shall be under no obligation to return or repay to the Clearing Participant any Commitment or any monies, securities or property constituting such Commitment or an amount equivalent thereto to the extent that they are so utilised.

*[Explanatory Note: The amendment to this Rule 7.5 provides for the juniorisation process to apply with respect to the OTC Commitment of OTC Participants in accordance with the OTC Rules.]*

Amended 03/06/97, 15/07/11, 01/07/13

- 7.6 If a call is made on the Commitments of the Clearing Participants in full or part, the Board may request the Clearing Participants to make such further Commitment by way of deposit of cash, securities, collateral or property in such amount and at such times as the Board believes necessary to provide continuing financial support of the obligations of ASX Clear (Futures). A Clearing Participant which receives such a request may either provide the requested further Commitment or may decline to provide the further Commitment requested. A Clearing Participant which declines to provide such further Commitment in accordance with this Rule shall be deemed to have given notice of resignation in accordance with Rule 11 (unless it has already provided such notice or has been given notice of termination in accordance with Rule 72.1A) but shall be under no obligation to provide such further Commitment. If one or more Clearing Participants decline to provide such further Commitment, the Board may issue such further or amended requests to other Clearing Participants under this Rule 7.6 as it considers necessary to provide continuing financial support of the obligations of ASX Clear (Futures). Each such further or amended request may be declined in accordance with, and with the resulting consequences set out in, this Rule 7.6.

Where further Commitments are provided pursuant to this Rule 7.6 the provisions of the Rules relating to the provision of and utilisation of Commitments provided by

Clearing Participants shall be read mutatis mutandis on the basis that the Commitments of Clearing Participants comprise the Futures Commitments (for Futures Participants) or the OTC Commitments (for OTC Participants), as applicable, and the further Commitments provided under this Rule 7.6.

Amended 01/07/13

- 7.7 The application of any of the assets referred to in Rule 7.1 with respect to a Default or Defaults shall not preclude the use of any remaining assets in any subsequent Default or Defaults.
- 7.8 The Board may designate particular assets of ASX Clear (Futures) for the purposes of Rule 7.1(c) and may add to or vary such designated assets as it sees fit from time to time.
- 7.9 The Board may in its absolute discretion without being under any express or implied obligation to do so elect to meet any Default from assets available pursuant to paragraph (h) of Rule 7.1 and determine that such assets shall replace the obligation to apply assets referred to in any or all of paragraphs (d), (e), (f) or (g) of Rule 7.1.

Amended 01/07/13

- 7.10 The Board will review the size, structure and composition of ASX Clear (Futures)' financial resources, taking into account any recommendations made by the Risk Committee, changes (including anticipated changes) in ASX Clear (Futures)' regulatory obligations and any other matters considered relevant by the Board. The Board will conduct its review once in every successive period of 12 months following the effective date of this rule. The results of the review will be published.

Introduced 01/07/13

## **8 FINANCIAL REQUIREMENTS**

- 8.1 A Clearing Participant shall at all times comply with the Financial Requirements from time to time determined by ASX Clear (Futures) and set out in the Schedules. Pending any such prescription the Financial Requirements shall be a requirement that the Clearing Participant have Net Tangible Assets of not less than five million dollars (\$5,000,000).

Amended 02/08/13

- 8.2 Without affecting the generality of Rule 8.1 the Board may prescribe financial requirements relating to:
- (a) the minimum level of each Clearing Participants' Net Tangible Assets; and
  - (b) the amount of Net Liquid Assets to be held by each Clearing Participant.

- 8.3 The Board or the Managing Director, or the delegate of either may determine that the Financial Requirements of a particular Clearing Participant shall be in excess of those applying pursuant to Rule 8.1 having regard to the number or value of Open Contracts held by the Clearing Participant, the Board, or the Managing Director or their delegate's assessment of the Clearing Participant's risk under such Open Contracts, the requirement of insurers or without limitation any other relevant factor and the Financial Requirements of that Clearing Participant shall be deemed to be Prescribed accordingly.

- 8.4 A Clearing Participant shall lodge with ASX Clear (Futures) in the Prescribed form a statement of its financial position as at the end of each month by no later than the Prescribed date or such other date as the Board may require.

- 8.5 (a) A Clearing Participant shall immediately advise ASX Clear (Futures) if:
- (i) the value of its financial position at any time is less than 150% of the Financial Requirements;
  - (ii) the value of the Participant's financial position is less than 150% of the Financial Requirements and has decreased by more than 20% since the last advice provided to ASX Clear (Futures) pursuant to sub-paragraphs (a) or (b) hereof;
  - (iii) its financial position has varied such that it exceeds the Position limits prescribed pursuant to Rule 9;
  - (iv) its financial position has altered in such circumstances as are Prescribed in the Schedules;
  - (v) an event of Default occurs under By-law 71, or the Clearing Participant has reasonable grounds to suspect that an event of Default may occur.
- (b) The Clearing Participant shall also provide such additional statement or statements of its financial position, in such form or forms as ASX Clear (Futures) may require, at such time or times as it may direct

The Managing Director shall immediately advise the Board of any such notice.

- 8.6 Financial Requirements for OTC Participants apply in accordance with the OTC Rules.

Introduced 01/07/13

- 8.7 A Clearing Participant must prepare its accounts and returns in accordance with accounting standards issued by the Australian Accounting Standards Board unless ASX Clear (Futures) approves or prescribes otherwise.

Introduced 02/08/13

## 9 POSITION LIMITS

- 9.1 (a) The Board may Prescribe limits on the number of Open Positions (whether Client Positions or House Positions) a Participant may hold in any Futures Contract or OTC Transaction or Options Contract or Bond Positions or Repurchase Agreements or on any market.
- (b) The Board may prescribe limits relating to the exposure of the Clearing Participant under Open Contracts by reference to:
- (i) the initial and/or variation margin and/or daily settlement liability of the Clearing Participant;
  - (ii) the number of Open Positions held by a Clearing Participant in any Futures Contract or OTC Transaction or Options Contract or Bond Positions or Repurchase Agreements;
  - (iii) the financial position of the Clearing Participant; or
  - (iv) any other criteria relating to the Clearing Participant's Open Positions or exposure as the Board thinks fit.

Amended 01/07/13

- 9.2 The Board may require a Clearing Participant to comply with special limits having regard to any requirements of insurers to ASX Clear (Futures) or such other matters as it sees fit.

- 9.3 Where a Clearing Participant's position is in excess of or appears likely to exceed the limits applicable to that Clearing Participant pursuant to Rule 9.1 or 9.2 the Board or the Managing Director or his delegate may in its or his absolute discretion do, without being limited to such actions, all or any of the following:
- (a) Determine that the Clearing Participant shall lodge additional Initial Margin with respect to all or any Open Positions held by the Clearing Participant of such amount as the Board or the Managing Director or his delegate may determine. (Amended 19/7/96)
  - (b) Direct that the Clearing Participant reduce the number of its Open Positions so as not to exceed such limits.
  - (c) Direct that the Clearing Participant transfer all or any Open Contracts to another Clearing Participant. In the case of Bond Transactions or Repurchase Agreements such transfer may only be to a BRC Participant.
  - (d) Refuse to register further Market Contracts on behalf of the Clearing Participant or accept any Allocation or Transfer to the Clearing Participant.
  - (e) Exercise the powers set out in Rule 72.1(d) or (g) as if there were a Default.
  - (f) Declare the Participant to be in Default.

and a Clearing Participant shall do all things necessary to give effect to any such determination, direction or decision by such time as is required by the Board.

- 9.4 Without in any way limiting its powers under Rule 9.3 the Board may at any time determine in relation to a Clearing Participant or Clearing Participants the requirements which will apply pursuant to Rule 9.3 in the absence of any other determination under Rule 9.3 should the relevant Clearing Participant be in breach of the applicable limits or appear likely to be in breach of such limits.
- 9.5 ASX Clear (Futures) shall immediately advise the Exchange and any Related Exchange of any determination pursuant to Rule 9.3 or 9.4.
- 9.6 The Board may Prescribe in the Schedules requirements which shall apply to Clearing Participants upon the breach of applicable limits of a Clearing Participant in the absence of any determination pursuant to Rule 9.3 or 9.4. Such requirements may include any of the matters referred to in Rule 9.3.
- 9.7 A Clearing Participant shall comply with all requirements and limits Prescribed by the Board under this Rule 9.

## **9A REGULATION**

### **Introduction and Oversight of Regulatory Affairs**

- 9A.1.1 ASX Clear (Futures) shall undertake the detection, investigation and determination of potential and alleged breaches of the Rules and the provision of fair procedures and the taking of enforcement action in relation thereto.

Amended 01/08/10

- 9A.1.2 To assist it in doing so ASX Clear (Futures) may appoint agents, which may include officers and committees of bodies corporate which are related to ASX Clear (Futures). Subject to any right of appeal, Clearing Participants shall comply with decisions of agents of ASX Clear (Futures) as though they were decisions of the Board, and any failure to comply shall be deemed to be a breach of these Rules.

Amended 02/01/02, 31/03/08

- 9A.1.3 In the event that ASX Clear (Futures) appoints agents, those agents shall be responsible to the Chairman of ASX Clear (Futures) or his delegate for the efficient and effective performance of their functions and shall, upon request, report on their activities to that person in such detail as that person may reasonably require.
- 9A.1.4 The appointment of such agents shall in no way limit the authority of the Board to deal ultimately with any and all violations of the Rules either on its own initiative or upon appeal.
- 9A.1.5 Certain investigations and hearings may be conducted by ASIC, as determined by agreement between ASX Clear (Futures) and ASIC.
- 9A.1.6 Where ASIC makes a finding regarding a breach of the Corporations Act, by a Clearing Participant, ASX Clear (Futures) may impose a penalty without further investigation of the matter by ASX Clear (Futures).
- 9A.1.7 In the case of a breach by a Clearing Participant of a provision of the Rules which was committed on its behalf in whole or in part by a Representative of the Clearing Participant it shall be deemed to be, or have been, committed by that Clearing Participant.

#### **ASX Clear (Futures) Investigation and Enforcement Function**

- 9A.2 The functions of ASX Clear (Futures) referred to in Rule 9A.1 include:
- (a) such investigations as it sees fit;
  - (b) such investigations, as it sees fit, of any allegations by a Clearing Participant or any other person which it considers to warrant investigation;
  - (c) maintenance of a program of inspections of the records and operations of Clearing Participants for the purpose of ensuring compliance with, and detecting breaches of, the Rules and in particular ensuring that Clearing Participants have appropriate procedures in place to prevent the occurrence of such breaches;
  - (d) where practical and relevant, maintenance of a program for the monitoring of the markets for which ASX Clear (Futures) provides services, and Open Positions and Open Contracts held by Clearing Participants and their Clients;
  - (e) ensuring that Clearing Participants lodge Financial Statements as required by the Rules;
  - (f) taking action in accordance with the provisions of the ASX Enforcement and Appeals Rulebook where it considers that a breach of the Rules may have occurred;
  - (g) to co-opt the services of the auditors of ASX Clear (Futures) and such other persons as ASX Clear (Futures) may approve, to assist in its activities; and
  - (h) referring matters to ASIC where ASIC has jurisdiction over such matters or by agreement between ASX Clear (Futures) and ASIC.

Amended 31/03/08, 01/08/10, 01/07/13

#### **Exemptions**

9A.3.1-7 Deleted – 31/03/08

- 9A.3.8 ASX Clear (Futures) may where it believes it to be just and equitable, and to the extent permitted by law, and on payment of the application fee (if any) prescribed by



the Board, exempt a Clearing Participant or CPM Client or person or class of Clearing Participant or CPM Client from compliance with such provisions of the Rules and on such conditions as it sees fit, including conditions relating to the payment of fees or costs in relation to the monitoring of such exemption. ASX Clear (Futures) may, at any time, revoke such exemption. A breach of a condition imposed in respect of an exemption shall be deemed to be a breach of these Rules.

Any exemption granted to a class of Clearing Participant or CPM Client (but not an exemption granted to a specified Clearing Participant or CPM Client) shall, for the purposes of the Corporations Act, be deemed to be an amendment to the Rules.

Amended 31/03/08, [ ]/13

9A.3.9 Deleted – 31/03/08

**[Explanatory Note:** *The amendments to Rule 9A.3.8 extend ASX Clear (Futures)'s ability to exempt Clearing Participants or persons from provisions of the rules in accordance with Rule 9A.3.8 to CPM Clients.*]

## 10 APPOINTMENT OF BOARD AS AGENT

10.1-8 Deleted – 31/03/08

10.9 Each Clearing Participant and CPM Client shall be deemed to have irrevocably appointed each member of the Board jointly and severally as its duly authorised agent to do all things and execute all documents, in the name of the Clearing Participant or otherwise, necessary to transfer any Open Positions or Open Contracts held by that Clearing Participant in the circumstances described in clause 15 of Schedule 13 and in the case of a CPM Client, subject to the Client Protection Model Provisions.

The Board may nominate one of its members to take all action in the name of the Clearing Participant and to execute all documents and do all things necessary to give effect to such transfer.

Amended [ ]/13

**[Explanatory Note:** *The amendments to Rule 10.9 mean that each CPM Client (as well as each Clearing Participant) is deemed to have irrevocably appointed each member of the Board jointly and severally as its duly authorised agent for the purposes of the items set out in Rule 10.9.*]

### Automatic Suspension

10.11 A Clearing Participant shall automatically be suspended without a meeting of the Board being required, if:

- (a) the Clearing Participant is in Default;
- (b) the Clearing Participant is in breach of the Financial Requirements or the requirements of Rule 8.4 and fails to rectify that breach within 24 hours or such longer period as the Board in its absolute discretion may allow;

or

- (c) where a liquidator, receiver, receiver and manager or administrator or some other form of external management is appointed in respect of the property of the Clearing Participant or if the Clearing Participant or a partner of the Clearing Participant becomes bankrupt. Such suspension shall, unless the Board at its absolute discretion approves otherwise, continue for the duration of the liquidation or receivership, administration, bankruptcy or external management.

Amended 31/03/08

- 10.12 The suspension or termination of a Clearing Participant shall not affect any subsisting rights which the Board or ASX Clear (Futures) may have in respect of that Clearing Participant or the CPM Clients under the Rules or any subsisting obligations of the Clearing Participant or the CPM Clients to the Board or ASX Clear (Futures) under the Rules and in the case of a suspension shall not affect any continuing obligations of the Clearing Participant or the CPM Clients under the Rules.

Amended [ ]/13

**[Explanatory Note:** *The amendments to Rule 10.12 mean that the suspension or termination of a Clearing Participant shall not affect any subsisting rights which the Board or ASX Clear (Futures) may have in respect of the CPM Clients under the Rules or any subsisting obligations of the CPM Clients to the Board or ASX Clear (Futures) under the Rules, and in the case of a suspension, shall not affect any continuing obligations of the CPM Clients under the Rules.*]

- 10.13 A suspended Clearing Participant shall not except to the extent allowed by the Board or Managing Director in its or his absolute discretion be entitled to have Market Contracts registered in its name or to receive an Allocation or Transfer of an Open Contract and shall not be entitled to vote.

#### **Interim Suspensions**

- 10.14 Notwithstanding any other provision of this Rule 10, the Board may, by unanimous resolution of those present at a meeting and entitled to vote and on the basis that it reasonably believes it is necessary to do so in the interest of the public, or ASX Clear (Futures), suspend a Clearing Participant pending the conduct of proceedings in accordance with this Rule 10. Such suspension shall not be for more than twenty-one (21) days but may be extended from time to time by a unanimous resolution of those present and entitled to vote at a subsequent meeting. Where a suspension is made pursuant to this provision, proceedings shall commence within twenty-one (21) days or within the period of any extension.

10.15 Deleted

10.16 Deleted – 31/03/08

10.17 Deleted – 01/07/13

#### **Conduct of Associated Parties**

- 10.18 Where the Board reasonably believes that the character, reputation, business integrity, or financial probity or conduct of:
- (a) an Associated Company;
  - (b) a Representative of a Clearing Participant, or of an Associated Company;
  - (c) a former Representative of a Clearing Participant or of an Associated Company;
  - (d) any person who has, or who has in the past had, the capacity to exercise control over a Clearing Participant, or an Associated Company;
  - (e) any other person which the Board reasonably believes is associated with, or connected to, the Clearing Participant or an Associated Company; or

- (f) a non-Clearing Participant in any way associated or connected with a Clearing Participant,

is such that the interests of the public or ASX Clear (Futures) or its Clearing Participants, are being prejudiced by reason of the behaviour of the entities listed in Rule 10.18(a)-(f), then the Board may, without prejudice to any other action it may take under the Rules, direct the Clearing Participant to cause the behaviour of its entities to cease. If the behaviour of the entities listed in Rule 10.18(a)-(f) does not cease, the enforcement action may be taken against the Clearing Participant in accordance with this Rule 10 as if the conduct was that of the Clearing Participant.

For the purposes of this Rule, an “Associated Company” is a company which is in any way associated with, or connected to, the Clearing Participant. Without limiting the generality of the foregoing, a company shall be deemed to be associated or connected with a Clearing Participant where one has the power, directly or indirectly, to control the other. Without limiting the generality of the term “control”, such control shall be deemed to exist where one holds twenty per cent (20%) or more of the issued share capital of the other or where a Director of one is a Director of the other.

Amended 01/08/10

10.19 Deleted – 31/03/08

## 11 RESIGNATION AND CHANGE IN CONTROL

### Resignation

- 11.1 (a) A Clearing Participant may give notice of resignation in respect of one or more of its authorisations to clear a category or categories of Market Contracts to ASX Clear (Futures). If it notifies that it is resigning all of its authorisations then it is taken to also notify its resignation as a Clearing Participant.
- (b) Resignation is not effective unless:
- (1) the Clearing Participant has given notice of resignation in writing to ASX Clear (Futures);
  - (2) ASX Clear (Futures) confirms to the Clearing Participant in writing that the Clearing Participant has satisfied the following conditions:
    - (A) it has performed all of its accrued obligations under the Rules (including but not limited to the payment of all fees);
    - (B) it is not the subject of any disciplinary proceedings or enforcement action within the jurisdiction of ASX Clear (Futures);
    - (C) it has no Open Contracts applicable to the authorisation in respect of which it has given notice of resignation.

ASX Clear (Futures) will provide such confirmation, or reasons why such confirmation cannot be given, within 5 Business Days of receipt of a written request from a Clearing Participant which has given notice of resignation.
- (c) Resignation will be effective at the end of the last day of the quarter in which the Clearing Participant meets the conditions in (1) and (2) above, provided those conditions are met at least 30 days prior to the last day of

the quarter. If the Clearing Participant meets those conditions less than 30 days prior to the last day of the quarter, the Clearing Participant's resignation will be effective at the end of the last day of the following quarter. For these purposes, quarters are as defined in Schedule 10.

Amended 01/07/13

### **Change in Control**

- 11.2 Where there is or is proposed to be a Substantial Change in Control of a Clearing Participant the Clearing Participant shall advise ASX Clear (Futures) forthwith in writing giving full particulars of such change. The Board shall consider such change and may in its absolute discretion approve such change.

## **12 APPEALS**

- 12.1 The following decisions may be appealed in accordance with the provisions of the ASX Enforcement and Appeals Rulebook:

- (a) the Board's decision to refuse an Applicant its application for Clearing Participant status; or
- (b) a decision of the ASX Clear (Futures) to issue an Enforcement Notice under Section 2 of the ASX Enforcement and Appeals Rulebook or any sanction imposed in the Enforcement Notice.

Amended 31/03/08, 01/08/10

- 12.2-5 Deleted – 31/03/08

- 12.6 If a notice of appeal is given in accordance with the ASX Enforcement and Appeals Rulebook, then pending a decision of the Appeal Tribunal unless the Appeal Tribunal otherwise determines:

- (a)
  - (i) any decision to refuse an application to become a Clearing Participant shall stand;
  - (ii) any suspension imposed by the Board or ASX Clear (Futures) shall remain in force;
  - (iii) where applicable, any termination of a Clearing Participant shall be deemed to be a suspension pending the decision of the Appeal Tribunal; and
- (b) where there has been a finding of a breach of the Rules and an imposition of a sanction by ASX Clear (Futures) under the ASX Enforcement and Appeals Rulebook:
  - (i) any monetary penalty imposed shall not be required to be paid.

Amended 31/03/08, 01/08/10

- 12.7-13 Deleted – 31/03/08

## **12A TRANSITIONAL PROVISIONS – [DELETED]**

Introduced 31/03/08 Deleted 01/08/10

## 12B TRANSITIONAL PROVISIONS

### Transitional Provision Definitions

12B.1 For the purposes of this Rule 12B:

**"Commence"** means:

- (a) in relation to disciplinary proceedings relating to conduct or a failure prior to the Effective Time, the provision of a contravention notice by ASX Clear (Futures) to the Regulated Person pursuant to Rule 2.1 of the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook; and
- (b) in relation to appeal proceedings relating to conduct or a failure prior to the Effective Time, the provision of notice of appeal by the relevant person pursuant to Rule 3.1 of the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook.

**"Effective Time"** means the date of commencement of Schedule 1 to the Corporations Amendment (Financial Market Supervision) Act 2010.

**"Old SFE Clearing Rules"** means the SFE Clearing Rules in force before the Effective Time.

**"Old Australian Securities Exchange Disciplinary Processes and Appeal Rulebook"** means the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook in force before the Effective Time;

**"Old Tribunal"** means the Disciplinary Tribunal or Appeal Tribunal (as the context requires) convened in accordance with the Old Australian Securities Exchange Disciplinary Processes and Appeal Rulebook, irrespective of whether it is convened before or after the Effective Time.

**"Relevant Person"** or **"Regulated Person"** means a Clearing Participant or a Representative or a person applying to ASX Clear (Futures) for admission as a Clearing Participant pursuant to Rule 4 of the Rules.

Introduced 01/08/10

### Sanctions

12B.2 Following the Effective Time:

- (a) ASX Clear (Futures) will have jurisdiction pursuant to Rule 9A.2(f) and the ASX Enforcement and Appeals Rulebook and may take any action under that rule or rulebook in respect of a Relevant Person concerning any conduct or failure under:
  - (i) these Rules, where that conduct or failure occurred on or after the Effective Time; or
  - (ii) these Rules and the Old SFE Clearing Rules, where the relevant conduct or failure the subject of the action spans both prior to and following the Effective Time,
 irrespective of when ASX Clear (Futures) became aware of, or should have become aware of, that conduct or failure;
- (b) the Appeal Tribunal will have jurisdiction pursuant to the ASX Enforcement and Appeals Rulebook and may conduct appeal proceedings (including the

holding of any hearings or engaging in any procedures) under those Rules in respect of a Relevant Person concerning any conduct or failure under:

- (i) these Rules, where that conduct or failure occurred on or after the Effective Time; or
- (ii) these Rules and the Old SFE Clearing Rules, where the relevant conduct or failure the subject of the proceedings spans both prior to and following the Effective Time,

irrespective of when ASX Clear (Futures) became aware of, or should have become aware of, that conduct or failure;

- (c) ASX Clear (Futures) will continue to have jurisdiction pursuant to Rule 9A.2(f) of the Old SFE Clearing Rules and the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook and may take disciplinary action under that rule or rulebook after the Effective Time in respect of a Regulated Person concerning any conduct under or any failure to comply with the Old SFE Clearing Rules, where that conduct or failure occurred prior to the Effective Time, irrespective of when ASX Clear (Futures) became aware of, or should have become aware of, that conduct or failure;
- (d) the Old Tribunal shall continue to have jurisdiction to conduct disciplinary proceedings (including any appeal proceedings from those disciplinary proceedings) or appeal proceedings (as the case may be) in accordance with, and pursuant to its jurisdiction under, the provisions of the Old Australian Securities Exchange Disciplinary Processes and Appeal Rulebook in respect of a Regulated Person concerning any conduct under or any failure to comply with the Old SFE Clearing Rules, where that conduct or failure occurred prior to the Effective Time, irrespective of whether disciplinary or appeal proceedings have Commenced prior to the Effective Time or when ASX Clear (Futures) became aware of, or should have become aware of, that conduct or failure;
- (e) for the purposes of paragraphs (c) and (d) above:
  - (i) the maximum penalty that may be imposed on a Regulated Person shall be the maximum penalty that would have been imposed for the relevant conduct or failure under the rules in existence at the time that the relevant conduct or failure occurred, irrespective of whether the disciplinary proceedings or appeal proceedings (as the case may be) were Commenced before or after the Effective Time;
  - (ii) ASX Clear (Futures) and the Old Tribunal shall take disciplinary action and conduct the disciplinary proceedings or appeal proceedings (as the case may be) with due regard to the relevant rules that were in force at the time that they were alleged to be contravened;
- (f) the Old SFE Clearing Rules and the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook continue to apply in respect of the Regulated Person to the extent required to give effect to the paragraphs above;
- (g) Nothing in this Rule 12B.2 limits the continued operation of rule 12A of the Old SFE Clearing Rules where disciplinary proceedings or appeal proceedings have Commenced (as defined in the Old SFE Clearing Rules) prior to the Effective Time (as defined in the Old SFE Clearing Rules).

12B.3 For the avoidance of doubt, where the relevant conduct or failure the subject of the action or proceeding spans both prior to and following the Effective Time:

(a) ASX Clear (Futures) and the Appeal Tribunal will have the jurisdiction and may take action or conduct appeal proceedings as referred to in Rules 12B.2(a) & (b) above;

(b) Rules 12B.2(c), (d) and (e) do not apply to such conduct or failure.

Introduced 01/08/10

### 13 ACCESS TO RECORDS

13.1 A Clearing Participant shall provide ASX Clear (Futures) with immediate access to information and records concerning the Clearing Participant's trading and financial position, including the financial position of a related company if requested, whether for client or principal trading and ASX Clear (Futures) may itself inspect the records of the Clearing Participant or may appoint a person or persons to inspect the records on its behalf.

Amended 30/12/09

13.2 ASX Clear (Futures) may request the Exchange or any related company to provide any information in its possession concerning a Clearing Participant and may request the Exchange or any related company to conduct an inspection of the Participant, or to appoint a person or persons to conduct an inspection, to assist ASX Clear (Futures) to obtain information for the purposes of Rule 13.1.

Amended 30/12/09

13.3 ASX Clear (Futures) shall provide to the Exchange or any related company, information concerning a Clearing Participant and Open Positions held by that Clearing Participant as may reasonably be required by the Exchange or any related company as the case may be from time to time. Where such information includes information concerning or arising from Market Contracts traded on a market of an exchange other than the Exchange making the requirement then ASX Clear (Futures) may decline in its absolute discretion to provide such information if it reasonably believes that such request is not made in accordance with an information sharing agreement between the Exchange and any related company.

Amended 30/12/09

13.4 ASX Clear (Futures) shall provide to relevant Australian regulation authorities and to the Securities Commission of New Zealand all information requested by the authority or Commission in the performance of its duties relating to the operations of ASX Clear (Futures) or a Clearing Participant and Open Positions held by that Clearing Participant.

13.5 ASX Clear (Futures) may provide information about the Clearing Participant and its Clients (including information about the Clearing Participant's and its Clients' trading and financial position) to a trade repository (whether located in Australia or in a foreign country). Clearing Participants must obtain any necessary consents (including from their Clients) to permit ASX Clear (Futures) to make such disclosures to trade repositories. The reference to "trade repository" includes a derivative trade repository as defined under the Corporations Act.

Introduced [ ]/13

**[Explanatory Note:** The new Rule 13.5 provides for ASX Clear (Futures) to provide information about the Clearing Participant and its Clients to a trade repository.

*Clearing Participants must obtain any necessary consents to permit ASX Clear (Futures) to do so.]*

- 13.6 Except as provided by these Rules or as required by law ASX Clear (Futures) shall keep confidential information concerning Clearing Participants or Open Positions held by them and shall only disclose such information to any other party as provided by these Rules, as required by law or for the purposes of discharging any of its functions or obligations under the Articles or the Rules including, without limiting the generality of the foregoing, the provision of information to any insurers to ASX Clear (Futures) or to a provider of delivery facilities or regulatory body. For the avoidance of doubt, "law" when used in this Rule includes the law of any relevant jurisdiction including Australia or New Zealand.

Amended 30/12/09

## 14 AMENDMENT TO RULES

- 14.1 Any amendment to the Rules (other than any amendment to the Schedules) concerning the subject matter set out in the following table which has been approved by the Board after the Commencement Date shall not be effective unless and until it is approved by the applicable Voting Clearing Participants:

Subject matter	Voting Clearing Participants
The aggregate amount of Commitment.	All Clearing Participants.
The order of application of assets upon Default by a Clearing Participant under Rule 7.1 if the amendment would reduce the amount of assets that may be applied in priority to the Commitment of a Clearing Participant ("Affected Clearing Participant").	All of the Affected Clearing Participants.

*Note: Voting does not apply to any amendment of the amount specified from time to time in paragraph (c) or (e) of Futures Rule 7.1.*

Subject to the following, each Voting Clearing Participant is entitled to one vote. However, any two or more Voting Clearing Participants that are Related Bodies Corporate are together entitled to one vote only.

An amendment is approved by the applicable Voting Clearing Participants for the purposes of this Rule 14.1 when it is either:

- (a) approved at a meeting of Voting Clearing Participants convened by the Secretary on not less than 21 days' notice (or such shorter notice as may be agreed in writing by Voting Clearing Participants entitled to not less than 75% of the votes) at which a resolution is passed by Voting Clearing Participants present in person or by proxy and entitled to vote at the meeting with a majority of votes; or
- (b) Voting Clearing Participants entitled to a majority of votes sign a document approving an amendment of which notice has been given to all Clearing Participants.

Amended 01/07/13, [ ]/1314.2

Except as provided in Rule 14.1, a meeting held for the purposes of that Rule shall be conducted as if it were a general meeting of ASX Clear (Futures) convened pursuant to the Articles provided that the quorum for a meeting of Clearing Participants shall be no less than one half of Clearing Participants entitled to vote.



14.2A ASX Clear (Futures) will provide reasonable notice to Clearing Participants of any proposed amendments to the Rules and Procedures prior to the amendments taking effect. However, any omission by ASX Clear (Futures) to give notice to one or more Clearing Participants does not affect the validity of any amendments to the Rules or Procedures.

Introduced 01/07/13

14.2B ASX Clear (Futures) will consult with the applicable Consulting Clearing Participants on any proposed changes to the Rules and Procedures set out in the following table, unless:

- (a) ASX Clear (Futures) is directed by any competent regulatory authority (whether or not located in an Australian or other jurisdiction) to amend the Rules or Procedures;
- (b) ASX Clear (Futures) considers, in good faith but otherwise in its discretion, that such amendment is to correct a manifest error; or
- (c) ASX Clear (Futures) considers, in good faith but otherwise in its discretion, that an amendment is required to comply with its CS facility license obligations or other applicable regulatory requirements (whether or not required under the laws of an Australian or other jurisdiction).

ASX Clear (Futures) may determine the form of such consultation, which may be by way of consultation with the Risk Committee.

<b>Rules and Procedures being amended</b>	<b>Consulting Clearing Participants</b>
Rules (other than OTC Rules), where the amendment affects a Clearing Participant ("Affected Clearing Participant")	All of the Affected Clearing Participants.
OTC Rules	All OTC Participants.
OTC Handbook, where ASX Clear (Futures) is of the view that the amendment is likely to have a material impact on Clearing Participants	All OTC Participants.
Procedures, Determinations and Practice Notes where ASX Clear (Futures) is of the view that the amendment is likely to have a material impact on a Clearing Participant ("Materially Affected Clearing Participant")	All of the Materially Affected Clearing Participants.

Introduced 01/07/13

14.3 Subject to Rule 14.1, 14.2 and 14.2A, the Rules may be amended from time to time in the manner provided in the Articles.

Amended 01/07/13

14.4 Only ASX Clear (Futures) can change the Rules or OTC Rules.

Introduced 01/07/13

## **15 BOND AND REPURCHASE TRANSACTIONS**

15.1 (a) Upon the registration of each Market Contract in the form of a Bond Transaction or upon registration of each Market Contract in the form of a Repurchase Agreement (each such case being referred to in this clause 15

as a 'BRC Contract') with ASX Clear (Futures) such BRC Contract shall be extinguished and replaced by a BRC Contract with ASX Clear (Futures) in accordance with the Rules and the original parties shall be released from their obligations to each other.

- (b) All BRC Contracts referred to in paragraph (a) shall be between BRC Participants as principals and ASX Clear (Futures) shall not be obliged to recognise the interest of any party other than such BRC Participants and upon the registration of a BRC Contract with ASX Clear (Futures) ASX Clear (Futures) shall not be obliged to recognise the interest of any party other than the party to the BRC Contract with ASX Clear (Futures).
- (c) Where a BRC Contract is registered with ASX Clear (Futures), references in ASX Clear (Futures) Rules to the Buyer or Seller in a BRC Contract shall be read as references to the BRC Participant party to the BRC Contract with ASX Clear (Futures).
- (d) Where the BRC Participants to a BRC Contract wish to renegotiate or unwind a BRC Contract, they shall directly renegotiate between themselves and notify ASX Clear (Futures) of the agreed renegotiated details. ASX Clear (Futures) shall then amend the details of the BRC Contract. ASX Clear (Futures) shall not be liable to any person for loss or damage arising in relation to the making of any such amendment.

## 16 USE OF EXCHANGE SYSTEM

Introduced January 05

### Licence over Clearing Software

- 16.1 By meeting and continuing to meet the conditions set out in Rule 16.2, and subject to the Rules, a Clearing Participant is granted by ASX Clear (Futures) and continues to hold a non-transferable, non-exclusive Licence to use such part of the Clearing Software as is approved by ASX Clear (Futures).

### Conditions of Licence

- 16.2 The conditions of a Licence granted by ASX Clear (Futures) under Rule 16.1 are that the Clearing Participant must:
- (a) use the Licensed Software solely for purposes in the ordinary course of business directly related to the Clearing Participant's activities as a Clearing Participant;
  - (b) pay the Clearing Infrastructure Fee and any Support Fee;
  - (c) not breach any Intellectual Property rights of ASX Clear (Futures) or any other third party in relation to the Licensed Software;
  - (d) use the Licensed Software only in accordance with the Rules;
  - (e) not make or permit others to make any copy of the Licensed Software other than for back-up purposes and only in the ordinary course of its back-up procedures;
  - (f) not sub-license or otherwise transfer, assign, disclose or otherwise make available or supply the Licensed Software, or any part, version, copy, adaptation, enhancement, amendment, modification or new release of the Licensed Software to any other person without the consent of ASX Clear (Futures);

- (g) not transfer the Licensed Software to or network it with any site other than the site authorised by ASX Clear (Futures) from time to time;
- (h) not use the Licensed Software to process the data of any third party for the purposes of the business of such third party, except in accordance with the Rules;
- (i) not change, modify, amend or alter the Licensed Software or permit, employ or contract any other party (other than ASX Clear (Futures) or a party authorised by ASX Clear (Futures)) to do so;
- (j) not remove or deface any identification of ownership of copyright, trade mark or other proprietary rights connected with the Licensed Software;
- (k) not reverse assemble, reverse compile, reverse engineer, adapt, alter, decompile, modify, unlock or permit, assist or cause any other person to reverse assemble, reverse compile, reverse engineer, adapt, alter, decompile, modify or unlock the Licensed Software;
- (l) not derive works from the Licensed Software which infringe the Copyright Act 1968 (Cth);
- (m) not use or permit the use of the Licensed Software by any persons not authorised to do so;
- (n) not attach to the Licensed Software any item which is not Exchange Equipment or equipment approved by ASX Clear (Futures);
- (o) not disseminate data or confidential information generated by the Exchange System to a third party or allow a third party access to the Exchange System for the purpose of dissemination of that data or confidential information to others;
- (p) install any enhancements or upgrades to the Licensed Software as ASX Clear (Futures) may from time to time direct;
- (q) upon ASX Clear (Futures) giving the Clearing Participant reasonable notice, allow ASX Clear (Futures) to effect any enhancements or upgrades to the Licensed Software as required by ASX Clear (Futures);
- (r) only use the Licensed Software on a site or sites as ASX Clear (Futures) may from time to time agree to in writing;
- (s) use the Licensed Software in accordance with any operating instructions supplied by ASX Clear (Futures) or by any other party on behalf of ASX Clear (Futures);
- (t) use all reasonable endeavours to prevent reckless or negligent use or wilful abuse of the Licensed Software;
- (u) bear all costs of repairing or replacing damaged Licensed Software where such damage results from negligent or reckless use or wilful abuse of the Licensed Software on the part of the Clearing Participant, its officers or agents;
- (v) notify ASX Clear (Futures) as soon as possible in the event of a breakdown of, or malfunction in, or defect in, the Licensed Software;
- (w) not permit any unauthorised software to be installed or loaded in conjunction with the Licensed Software.

**Title to Licensed Software and Ownership of any Intellectual Property rights**

- 16.3 (a) With the exception of the non-exclusive Licence granted pursuant to Rule 16.1, use by a Clearing Participant of the Exchange System will not

confer upon the Clearing Participant any right, title or interest in the Licensed Software.

- (b) Ownership of any Intellectual Property Rights in:
- (i) The Licensed Software; and
  - (ii) any works within the meaning of the Copyright Act 1968 (Cth) derived from the Licensed Software,

will vest or remain vested in ASX Clear (Futures) or the relevant Licensor or any other entity as ASX Clear (Futures) or its Licensor (as the case may be) may in their sole discretion elect.

### **Warranty as to Title**

- 16.4 ASX Clear (Futures) warrants to each Clearing Participant to whom it grants a Licence in accordance with Rule 16.1 that it is authorised to grant the Licence and that the Clearing Participant is entitled to use the Licensed Software in accordance with the Rules.

### **Intellectual Property Rights Indemnity**

- 16.5 (a) ASX Clear (Futures) agrees to indemnify each Clearing Participant to whom a Licence has been granted against any loss the Clearing Participant may suffer due to any claim by any third party that the use or possession by the Clearing Participant of the Licensed Software infringes any Intellectual Property right of that third party but only to the extent to which ASX Clear (Futures) is actually indemnified by its Licensors under the relevant licence agreements and provided that:
- (i) ASX Clear (Futures) is given notice of the claim as soon as practicable after receipt of a written claim by the Clearing Participant from any such third party;
  - (ii) ASX Clear (Futures) or its Licensors (as the case may be) are given complete control over such claim, and the Clearing Participant fully co-operates with ASX Clear (Futures) at ASX Clear (Futures)'s or its Licensor's reasonable expense in the conduct of such claim;
  - (iii) the Clearing Participant does not prejudice in any manner ASX Clear (Futures)'s or the Licensor's conduct of such claim;
  - (iv) the claim is not based upon the use of the Licensed Software in a manner:
    - (A) not authorised under these Rules;
    - (B) for which the Licensed Software was not designed; or
    - (C) not in accordance with the documentation provided by ASX Clear (Futures) or its Licensors; and
  - (v) ASX Clear (Futures) will not be obliged to indemnify the Clearing Participant for any claim of infringement based on the:
    - (A) use of an altered version of the Licensed Software unless such alteration was authorised in writing by ASX Clear (Futures);
    - (B) combination, operation or use of the Licensed Software with software, hardware, equipment or other materials not supplied by ASX Clear (Futures); or

- (C) use of a superseded version of the Licensed Software where the Clearing Participant has failed to install an upgraded or enhanced version of the Licensed Software as directed by ASX Clear (Futures).
- (b) If a final injunction is obtained against the use of any part of the Licensed Software as a result of a claim under which ASX Clear (Futures) is obliged to indemnify the Clearing Participant under this Rule 16.5 and provided the Clearing Participant has fully complied with its obligations regarding any such claim, ASX Clear (Futures) may, at its absolute option and expense either:
  - (i) procure for the Clearing Participant the right to continue to use the Licensed Software;
  - (ii) modify the Licensed Software so that it becomes non-infringing;
  - (iii) replace the Licensed Software with software offering substantially similar functions; or
  - (iv) terminate the Licence without any further liability to the Clearing Participant.
- (c) The Clearing Participant agrees to indemnify ASX Clear (Futures) for any loss or damage ASX Clear (Futures) may suffer due to any claim by a third party for actual or alleged infringement of any Intellectual Property right arising out of the Clearing Participant's use of the Exchange System in any manner prohibited by the Rules. The maximum liability of the Clearing Participant to ASX Clear (Futures) under this paragraph (c) is \$50,000,000.

Amended 01/07/13

**Explanatory Note**

Refer to [Procedure 16 Use of Exchange Systems](#).

**17 TERMS RELATING TO EXCHANGE EQUIPMENT**

Introduced January 05

**Supply of Exchange Equipment**

- 17.1 (a) Any Exchange Equipment supplied to a Clearing Participant will be supplied, installed and serviced subject to the Clearing Participant complying with the conditions in Rule 17.2 and subject to the Rules.
- (b) The quantity and type of Exchange Equipment supplied pursuant to Rule 17.1(a) shall be as approved by ASX Clear (Futures).
- (c) Any equipment supplied by a Clearing Participant in lieu of Exchange Equipment must comply with specifications approved by ASX Clear (Futures) and, if ASX Clear (Futures) so determines, must be installed by ASX Clear (Futures).

**Conditions of use of Exchange Equipment**

- 17.2 The conditions applicable to the supply and use of the Exchange Equipment by a Clearing Participant are that the Clearing Participant must:
  - (a) pay the Clearing Infrastructure Fee and any Support Fee;
  - (b) use the Exchange Equipment in accordance with any operating instructions supplied by ASX Clear (Futures) or by any other party on behalf of ASX Clear (Futures);

- (c) use all reasonable endeavours to maintain an environment suitable to keep the Exchange Equipment in effective working order and condition;
- (d) use all reasonable endeavours to prevent reckless or negligent use or wilful abuse of the Exchange Equipment;
- (e) bear all costs of repairing or replacing damaged Exchange Equipment where such damage results from negligent or reckless use or wilful abuse of the Exchange Equipment on the part of the Clearing Participant, its officers or agents;
- (f) notify ASX Clear (Futures) as soon as possible in the event of a breakdown of, or malfunction in, or defect in, the Exchange Equipment;
- (g) insure the Exchange Equipment to its full market value, such value to be advised in writing by ASX Clear (Futures);
- (h) not permit any unauthorised software to be installed or loaded onto the Exchange Equipment.

#### **Title to the Exchange Equipment and Insurance Requirements**

- 17.3
- (a) Title to the Exchange Equipment will remain with the Exchange and shall not pass to a Clearing Participant upon delivery of the Exchange Equipment to the Clearing Participant.
  - (b) A Clearing Participant must effect and maintain adequate insurance cover with a reputable insurance company with respect to loss or damage to the Exchange Equipment and for any potential liability, loss or damage arising out of use of the Exchange Equipment and must produce on demand by ASX Clear (Futures) evidence of such insurance cover.

## **18 TERMS RELATING TO BOTH LICENSED SOFTWARE AND EXCHANGE EQUIPMENT**

Introduced January 05

### **Responsibility of ASX Clear (Futures)**

- 18.1 ASX Clear (Futures) will:
- (a) supply and service the Exchange Equipment and the Licensed Software in the Sydney central business district, or such other location(s) as ASX Clear (Futures) may designate in writing, in accordance with the installation and servicing instructions for the Exchange Equipment and the Licensed Software or as otherwise provided by ASX Clear (Futures) from time to time;
  - (b) subject to Rules 16.2(u) and 17.2(e), as soon as reasonably possible repair or replace damaged Exchange Equipment and Licensed Software;
  - (c) liaise with the Clearing Participant concerning the Clearing Participant's requirements for Exchange Equipment and Licensed Software;
  - (d) co-ordinate additions, reductions and relocations of Exchange Equipment and Licensed Software;
  - (e) maintain an inventory of Exchange Equipment and Licensed Software and provide a copy of the same to the Clearing Participant upon reasonable request;
  - (f) provide a facility for the Clearing Participant to report faults in the Exchange Equipment and Licensed Software to operational staff;

- (g) provide the Clearing Participant with upgrades or enhancements of the Licensed Software as and when they become available;
- (h) in consideration for payment by the Clearing Participant of Support Fee, provide the Clearing Participant with on-going support services during working hours (8.00 am to 5.00 pm Monday to Friday Sydney time), which will consist of:
  - (i) telephone support;
  - (ii) remote access support;
  - (iii) on-site support where ASX Clear (Futures) determines that support cannot be provided through the use of telephone support, or remote access capability.

### **Responsibility for Security**

- 18.2 A Clearing Participant will be solely responsible for the use of the Exchange System by any person not authorised by ASX Clear (Futures) or for any misuse, damage or destruction of the Exchange System resulting from the use of the Exchange System by the Clearing Participant.

### **Termination of Licence**

- 18.3 ASX Clear (Futures) may terminate a Licence granted under Rule 16.1 and the Clearing Participant's access to the Exchange System in the event that the Clearing Participant ceases to be a Clearing Participant under these Rules.

Amended 01/08/10, 01/07/13

### **Suspension of Licence**

- 18.4 ASX Clear (Futures) may suspend a Clearing Participant's access to the Exchange System in the event that:
- (a) the Clearing Participant has been suspended under these Rules or
  - (b) in the opinion of the Managing Director or his or her delegate, a physical emergency (as described in these Rules) occurs and the Managing Director (or in his or her absence, his or her delegate) or the Board, as the case may be, determines that such suspension is necessary to deal with the emergency;
  - (c) except where such amount is disputed in good faith and without prejudice to any other rule relating to rights for late payment of fees in these Rules, the Clearing Participant fails to pay the Clearing Infrastructure Fee or any Support Fee within 30 days of the due date where ASX Clear (Futures) has issued a notice in writing to that effect to the Clearing Participant requiring payment, the Clearing Participant has failed to pay the amount set out in that notice within thirty days, ASX Clear (Futures) has issued a second notice, the Clearing Participant has failed to pay the amount set out in ASX Clear (Futures)'s second notice within a further seven days and the total amounts referred to in the second notice exceed 25% of the total amount due under that invoice.

### **Suspension to be Lifted**

- 18.5 If:
- (a) the Clearing Participant's suspension is lifted; or
  - (b) a physical emergency ceases to exist; or

- (c) the Clearing Participant pays to ASX Clear (Futures) the amount referred to in Rule 18.4(c) as well as any other outstanding amount which has accrued from the date of the last notice issued by ASX Clear (Futures),

then ASX Clear (Futures) must immediately lift the suspension of the Clearing Participant's access to the Exchange System.

### **Clearing Participant's Obligations on Termination of Licence**

18.6 Upon termination of the Licence granted to it under Rule 16.1, a Clearing Participant will within 7 days of termination:-

- (a) cease use of the Exchange System, return all documentation relating to the Exchange System to ASX Clear (Futures) and certify in writing to ASX Clear (Futures) that it has complied with the foregoing;
- (b) return the Exchange Equipment and Licensed Software to ASX Clear (Futures); and
- (c) pay any outstanding Clearing Infrastructure Fee, Support Fee and other charges and expenses.

## **19 MISCELLANEOUS**

### **Notice, Notification and Service of Documents**

19.1 If any Rule requires or permits the giving of notice of any matters to any person, the Rule requires or permits the giving to that person of a written document containing those matters.

Without limiting any other provision of Rules 19.1 (a) to (e) any notice to be given by a Clearing Participant to the Exchange must be given to the person holding the position notified by the Exchange to Clearing Participants and may be given in the manner set out in the Procedures. Any notice to be given by the Exchange to a person, firm or corporation may be given in the manner set out in the Procedures.

For the purposes of any Rule that requires or permits a document to be given to a person, whether the expression 'serve', 'give' or 'send' or any other expression is used, the document may be given, and will be taken to have been received, at the time and in the manner set out in the Procedures.

Nothing in this Rule 19.1(c) or the Procedures prevents documents being sent or given to, or served on, a person in any other manner required or permitted by law.

A Clearing Participant must acquire and maintain an operating e-mail system for the purposes of receiving notices under Rule 19.1(c).

If under these Rules the Exchange is to give notice to some or all Clearing Participants, accidental omission by the Exchange to give notice to one or more Clearing Participants does not affect the validity or enforceability of any resolution, decision, proceeding or act in connection with which the notice was to be given.

Introduced 01/01/12

## **20 RISK COMMITTEE**

ASX Clear (Futures) will invite all Clearing Participants to participate in a Risk Committee subject to the procedures set out in the Procedures, for the purpose of consulting on:

- (a) changes of the risk model of ASX Clear (Futures);



- (b) changes to the procedures on a Default set out in Part 7 (Procedures on a Default) of these Rules or the total size, structure and composition of the amounts available under Rule 7 or the default management process as described in Schedule 3 (Default Management Process) of the OTC Rules;
- (c) proposed amendments to the Rules;
- (d) introducing new asset classes for clearing or by forming new products through combining existing products;
- (e) changes to the method to determine eligible margin or the methods to determine haircuts (provided that ASX Clear (Futures) will be entitled to make such changes without consultation of the Risk Committee in individual cases in the normal course of business);
- (f) changes to the admission criteria (including the required minimum capital) for new Clearing Participants;
- (g) formation of new, and changes to existing, Liquidation Groups (as defined in the Default Management Procedures) of the OTC Rules;
- (h) policies of ASX Clear (Futures) which relate to membership approvals, positions or liquidity limits of Clearing Participants, and any proposed changes to those policies;
- (i) the process for the discontinuation of OTC Clearing (if applicable); and
- (j) all other matters which may have an impact on the risk management of ASX Clear (Futures) and its Clearing Participants.

ASX Clear (Futures) will invite Clients to participate in the Risk Committee in accordance with the Procedures.

Proposals and recommendations of the Risk Committee will be disclosed to the Board. ASX Clear (Futures) does not have any obligation to accept any proposal or recommendation made by, or take any action proposed by, the Risk Committee. However, it will provide reasons to the Risk Committee if it chooses not to follow any proposal or recommendation of the Risk Committee prior to taking, or not taking, any action.

Introduced 01/07/13 Amended [ ]/13

#### **Explanatory Note**

Refer to [Schedule 15 – Procedures for the Risk Committee](#).

**[Explanatory Note:** *The amendments to Rule 20 mean that ASX Clear (Futures) will invite Clients to participate in a Risk Committee in accordance with the Procedures.*]

**21 to 29**

**Not in use.**

**End of Section. Next page is no. 301.**



## **ASX CLEAR (FUTURES) OPERATING RULES**

<b>PART 7</b>	<b>PROCEDURES ON A DEFAULT .....</b>	<b>703</b>
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## PART 7 PROCEDURES ON A DEFAULT

### 70 Introduction

70.1 This Part of the Rules contains provisions detailing circumstances in which a Clearing Participant will be deemed to have defaulted on its obligations to ASX Clear (Futures), the consequences of such default and the powers of ASX Clear (Futures) in that regard.

70.2 The OTC Rules contain supplementary provisions which apply if the Clearing Participant is an OTC Participant. These supplementary provisions do not limit the application of this Part of the Rules to an OTC Participant or any other Clearing Participant.

Introduced 01/07/13

### 71 Existence of Default

71.1 (a) A Clearing Participant shall immediately notify the Managing Director of ASX Clear (Futures) if an event of Default occurs under By-law 71.3, or if the Clearing Participant has reasonable grounds to suspect that an event of Default may occur.

(b) Where there is in the opinion of the Board or Managing Director an event of Default as set out in Rule 71.3 with respect to a Clearing Participant, the Board or Managing Director may declare the Clearing Participant to be in Default and for the purpose of the Rules that Clearing Participant shall be taken to have Defaulted.

71.2 Deleted

71.3 Events of Default referred to in Rule 71.1 are where:

(a) the Clearing Participant fails to meet any of its obligations under Open Contracts or the Rules or Exchange Operating Rules or any agreement or understanding entered into with ASX Clear (Futures) or fails to comply with any reasonable directions of ASX Clear (Futures);

(b) Deleted

(c) the Clearing Participant fails to pay Initial Margins or Variation Margins or Daily Settlement Amounts or Intra Day Margins or Extra Margins within the period provided by these Rules;

(d) the Clearing Participant fails to pay an amount or amounts other than an amount or amounts to which paragraph (c) is applicable in total exceeding A\$1,000, which is due and payable to ASX Clear (Futures);

(e) an administrator of the Clearing Participant or a related body corporate of the Clearing Participant or similar person is appointed;

(f) except for the purposes of a solvent reconstruction or amalgamation previously notified to ASX Clear (Futures):

(i) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps are taken for:

(A) the winding up, dissolution or official management or administration of the Clearing Participant or a related body corporate of the Clearing Participant; or

- (B) the Clearing Participant or a related body corporate of the Clearing Participant enters into any arrangement, compromise or composition with or assignment for the benefit of its creditors or any class of them; or
  - (ii) the Clearing Participant ceases or suspends or threatens to cease or suspend substantially all of its business or threatens to dispose of substantially all of its assets; or
  - (iii) the Clearing Participant is or is deemed under any applicable legislation to be unable to pay its debts as and when they fall due (other than as a result of failure to pay a debt or claim the subject of a good faith dispute) or stops or suspends or threatens to stop or suspend payment of all or a class of its debts.
- (g) the Clearing Participant is suspended, expelled or terminated as a member of any Australian or overseas, futures, securities, commodity or stock exchange or is subject to sanctions by any Australian or overseas regulatory authority;
- (ga) the Clearing Participant has failed to comply with a determination made by an Old Tribunal (as defined in Rule 12B) pursuant to the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook (as defined in Rule 12B);
- (gb) the Clearing Participant fails to comply with any action taken by ASX Clear (Futures) in accordance with Rule 9A.2(f) or the provisions of the ASX Enforcement and Appeals Rulebook (including as may be affirmed or varied by the Appeal Tribunal (as the case may be following an appeal against such action) pursuant to the ASX Enforcement and Appeals Rulebook);
- (h) with respect to all or any of the assets and undertaking of the Clearing Participant or a related body corporate of the Clearing Participant:
  - (i) a receiver, receiver and manager, administrative receiver, administrator or similar officer is appointed;
  - (ii) a Security Interest is enforced; or
  - (iii) a distress, attachment, or other execution is levied or enforced.
- (i) an investigator, inspector or other officer is appointed or an investigation is directed or commenced under the Corporations Act or any other legislation to investigate all or any part of the affairs of the Clearing Participant or a related Company of the Participant, in circumstances which are material to its capacity to meet its obligations to ASX Clear (Futures);
- (j) anything analogous to anything referred to in paragraphs (a) to (i) inclusive, or having substantially similar effect, occurs with respect to the Clearing Participant including, without limitation, anything occurring outside Australia or under the law of a jurisdiction other than Australia;
- (k) the Clearing Participant is the subject of a notice under any insurance referred to in Rule 7.1(e), or any other insurance taken out by ASX Clear (Futures) to enable it to meet its obligations to Clearing Participants which affects the amount or conditions or operation of such insurance;
- (l) there is an event deemed or described as a default by the Exchange Operating Rules or as otherwise provided in the Rules including a failure to comply with the requirements of Rule 9 or Exchange Operating Rules relating to position limits;

- (m) the Clearing Participant acts fraudulently or in a misleading or deceptive manner with respect to any Open Contract or Market Contract the registration of which gave rise to an Open Contract; and
- (n) any other event or series of events, whether related or not, occurs (or appears likely to occur) which in the opinion of the Board or Managing Director has (or appears likely to have) a material effect on the capacity of the Participant to meet its obligations to ASX Clear (Futures).

Amended 01/08/10, 15/07/11

## 72 Powers of ASX Clear (Futures) Upon A Default and Determination of A Loss

72.1 Upon a Default by a Clearing Participant ASX Clear (Futures) shall in its absolute discretion have the power to do all or any of the following in any order:

- (a) to Close Out all or any Open Contracts of the Clearing Participant in Default including in its absolute discretion Open Contracts in the Client [Clearing Account](#) by Closing Out any opposite positions in ~~each any such House Clearing Account or Client Clearing~~ [Account](#) and/or by buying or selling opposite positions on the Exchanges Markets as if a request to Close Out had been made by the Clearing Participant in Default pursuant to Rule 46 and to appropriate any excess after the application of Rule 47 or 48. Without limitation, a Close Out may occur by the matching of opposite positions which are held in different Accounts or Client Sub-Accounts of the Clearing Participant in Default. The prices attributable to the Close Out of any Open Contracts is to be determined by ASX Clear (Futures) in its discretion provided that the price is the same for identical Closed Out Open Contracts (regardless of the Account in which they were held);
- (b) to sell, realise, apply and set off any monies, securities, collateral or other property deposited with ASX Clear (Futures) by the Clearing Participant in Default by way of Initial Margin, Commitment or otherwise (whether or not arising from obligations under the Rules) and to apply the proceeds towards satisfaction of any amount payable by the Clearing Participant in Default to ASX Clear (Futures) under or in connection with these Rules and the OTC Rules, without being required to give notice to or obtain the consent of the Clearing Participant in Default or any court order, with full power to execute any documents in its own name or as attorney for the Clearing Participant in Default for that purpose, PROVIDED ALWAYS that any monies, securities, collateral or other property deposited with ASX Clear (Futures) with respect to Open Positions designated to a Client Clearing Account or which are subject to a written agreement under Regulation 7.8.02(3) of the Corporations Regulations 2001, or an acknowledgment under Regulation 10 of the Futures Industry (Client Funds) Regulations 1990 of New Zealand, may be used to meet obligations in a Client Clearing Account and shall not be used to meet any obligations in a House Clearing Account;
- (c) to apply any surplus in any House Clearing Account of the Clearing Participant in Default to any deficiency on any Client Clearing Account of the Clearing Participant in Default;
- (d) to Transfer pursuant to Rule 74.1 all or any Open Positions designated to a Client Clearing Account of the Clearing Participant in Default to another Clearing Participant with the written authority of such transferee Clearing Participant, together with any Initial Margins which in the opinion of ASX Clear (Futures) are held with respect to such Open Positions;

- (e) to Exercise or Abandon any Option Contract of the Clearing Participant in Default. Any such Exercise or Abandonment shall be deemed to have been effected by the Clearing Participant which is the party to the Option Contract;
- (f) notwithstanding any direction given under Rule 63, to itself give or take delivery of any Commodity;
- (g) to Close Out any remaining Open Contracts of the Clearing Participant in Default in the manner referred to in Rule 72.2;
- (h) after, and only after, using all possible endeavours to close out the Open Positions of the Clearing Participant in Default under paragraph (g), using all possible endeavours to cover its liability with respect to the Open Contracts of the Clearing Participant in Default not so closed out by trading on any available futures forward cash or spot market and such other means as are available to protect its position and having consulted with the Risk Committee, to effect Compulsory Settlement in accordance with Rule 102.  
Compulsory Settlement effected pursuant to this paragraph (h) shall not in any way affect or diminish the rights of ASX Clear (Futures) against any Clearing Participant in Default;
- (i) to terminate the Clearing Participant in Default's rights and status as a Clearing Participant in accordance with Rule 72.1A;
- (j) to do any thing permitted by the OTC Rules; and
- (k) to do all such other necessary acts and things as are in the opinion of ASX Clear (Futures) necessary to reduce or crystallise its exposure under Open Contracts or otherwise, arising from or as a result of the Default, except Invoice Back or Force Allocate Open Contracts to another Clearing Participant other than pursuant to a Compulsory Settlement under Rule 102.

Amended 03/06/97, 19/05/98, 01/07/13, [ ]/13

*[Explanatory Note: The amendments to Rule 72.1:*

*- amend typographical references relating to defined terms*

*- provide that ASX Clear (Futures) may effect a Close Out of Open Positions by matching equal and opposite Open Positions of the Defaulting Clearing Participant which may be any Open Positions in the House Account or any Client Account, or by entering into opposite positions on the Exchanges Markets. The pricing of such Close Out will be determined by ASX Clear (Futures), provided that identical Closed Out Open Positions will be attributed the same price, regardless of whether they were Closed Out pursuant to the entry into opposite positions on the Exchange Markets or by matching opposite Open Positions of the Defaulted Clearing Participant.]*

- 72.1A (a) A termination of the rights and status of a Clearing Participant in Default is not effective unless:
- (1) ASX Clear (Futures) has given notice of termination in writing to the Clearing Participant;
  - (2) ASX Clear (Futures) confirms to the Clearing Participant in writing that the Clearing Participant has satisfied the following conditions:
    - (A) it has performed all of its accrued obligations under the Rules (including but not limited to the payment of all fees), or

such obligations have been satisfied following the exercise of ASX Clear (Futures)'s powers under Rules 72.1 or 73;

(B) it is not the subject of any disciplinary proceedings or enforcement action within the jurisdiction of ASX Clear (Futures);

(C) it has no Open Contracts.

- (b) Following the Clearing Participant's receipt of the notice of termination referred to in paragraph (a)(1) above, the Clearing Participant may not use the clearing facilities provided by ASX Clear (Futures) in accordance with these Rules except with the prior written consent of ASX Clear (Futures).
- (c) Termination will be effective at the end of the last day of the quarter in which the Clearing Participant meets the conditions in (a) above, provided those conditions are met at least 30 days prior to the last day of the quarter. If the Clearing Participant meets those conditions less than 30 days prior to the last day of the quarter, the Clearing Participant's termination will be effective at the end of the last day of the following quarter. For these purposes, quarters are as defined in Schedule 10.

Introduced 01/07/13

72.2 ASX Clear (Futures) may offset any exposure arising from a Default by trading Market Contracts by means of:

- (a) trading on any trading system maintained by the Relevant Exchange through a Participant of the Relevant Exchange; or
- (b) by direct agreement with market participants or any other persons or as may be permitted or directed by the Relevant Exchange in accordance with Exchange Operating Rules,

and shall register any Market Contract so traded and may Close Out the Open Contract so traded against Open Contracts of the Clearing Participant as if such Market Contracts had been entered into by the Clearing Participant in Default.

72.3 At any time, ASX Clear (Futures) may calculate a net amount or amounts due and payable by the Clearing Participant in Default to ASX Clear (Futures) or ASX Clear (Futures) to the Clearing Participant in Default separately in respect of the House Account and the Client Account ~~following the exercise by ASX Clear (Futures) of any or all of its rights under Rule 72~~, and demand immediate payment of any each such net amount payable by the Clearing Participant in Default to ASX Clear (Futures).

Without limitation, the amounts netted by ASX Clear (Futures) may include the amounts determined to be payable under, or in connection with, the OTC Rules.

Introduced 13/07/09 Amended 01/07/13, [ ]/[ ]/13

*[Explanatory Note: The amendments to Rule 72.3 allow for netting in respect of the Client Account.]*

72.4 If a Clearing Participant has CPM Clients then the netting referred to in Rule 72.3 above is to be conducted separately in respect of each Client Sub-Account within the Client Account of that Clearing Participant and in respect of any remaining part of that Client Account. A net cash amount is to be payable in accordance with Rule 72.3 in respect of each separate netting which takes place.

Introduced [ ]/[ ]/13



*[Explanatory Note: New Rule 72.4 provides that where a Clearing Participant has CPM Clients, then the netting referred to in Rule 72.3 is to be conducted separately in respect of each Client Sub-Account within the Client Account of that Clearing Participant and in respect of any remaining part of that Client Account. A net cash amount is to be payable in accordance with Rule 72.3 in respect of each separate netting which takes place.]*

## **73 Loss**

- 73.1 Any deficiency in the Accounts of the Clearing Participant in Default or Clearing Participants in Default after the application of Rule 72.1 shall be termed the Loss of ASX Clear (Futures) on the Default.
- 73.2 To meet any Loss ASX Clear (Futures) shall first apply up to the amount of the Loss, the Commitment of the Clearing Participant in Default made pursuant to the Rules.
- 73.3 Subject to the Rules, ASX Clear (Futures) shall meet any remaining Part of the Loss in accordance with paragraphs (c) to (h) of Rule 7.1.  
Amended 01/07/13
- 73.4 Any amount later recovered from the Defaulting Clearing Participant shall to the extent of such recovery reduce the Loss of ASX Clear (Futures).

## **74 Clients Not in Default to Clearing Participant in Default**

- 74.1 Without prejudice to Rule 31.4 and without being under any obligation to do so the Board or Managing Director or the delegate of either may in their absolute discretion and with regard to the necessity to crystallise ASX Clear (Futures) position as soon as possible and after having regard to the liability or potential liability of ASX Clear (Futures) and any other relevant matter permit the Transfer to another Clearing Participant of all or any Open Contracts designated as Client Positions of a Clearing Participant in Default where ASX Clear (Futures) is advised by the Relevant Exchange that the Open Contract is held on behalf of a Client of the Clearing Participant which is not in default of its obligations to the Clearing Participant. For that purpose ASX Clear (Futures) may transfer monies from a Client Clearing Account of the Clearing Participant in Default to the relevant Clearing Account of the Clearing Participant to whom the Open Contract is being transferred. The Loss of ASX Clear (Futures) shall be adjusted accordingly.
- 74.2 A Transfer of Open Contracts under Rule 74.1 may be made subject to conditions including without limitation;
- (a) the receipt of the written authority of the Clearing Participant to whom the Open Contracts are to be transferred; or
  - (b) an indemnity from any person, or conditions relating to Margin to be provided to ASX Clear (Futures) before or after such transfer.
- 74.3 Where ASX Clear (Futures) permits a Transfer of Open Contracts pursuant to Rule 74.1 ASX Clear (Futures) may transfer such of the monies in or securities, collateral or property allocated to, a Client Clearing Account of the Clearing Participant as ASX Clear (Futures) believes is referable to such Positions.

## 75 Indemnity from Clearing Participants in Default

75.1 Each Clearing Participant indemnifies and will keep indemnified ASX Clear (Futures) 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 (Futures) on a payment made under this indemnity) against or incurred by any of ASX Clear (Futures), its officers, representatives, agents or contractors arising out of or in connection with any event of Default by the Clearing Participant, or any action taken by, or any inaction by, any of ASX Clear (Futures) or its officers, representatives, agents or contractors in connection with the Default, to the extent that it was not caused by the negligence, fraud or wilful default of ASX Clear (Futures).

The rights, powers and remedies of ASX Clear (Futures) under this Rule 75.1 in relation to a Clearing Participant survive its termination or suspension as a Clearing Participant or termination of its authorisation to clear a category or categories of Market Contract.

Introduced 01/07/13

75A If a Futures Participant has agreed with an OTC Participant to clear DM Auction Transactions (as defined in the OTC Rules) that are Futures Contracts in respect of which the OTC Participant entered the winning Bid as defined in, and in accordance with, the OTC Handbook, then the Futures Participant must clear such DM Auction Transactions.

Introduced 01/07/13

**End of Section. Next page is no. 751.**



# ASX OTC RULEBOOK

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# ASX OTC Rulebook

## 1 SCOPE AND INTERPRETATION

### 1.1 ASX Clear (Futures), OTC Rules and OTC Clearing

These rules are the ASX OTC Operating Rules of ASX Clear Futures Pty Limited. These rules are referred to as the **OTC Rules** and ASX Clear Futures Pty Limited is referred to as **ASX Clear (Futures)**.

ASX Clear (Futures) may provide clearing facilities for over-the-counter derivatives (referred to as **OTC Clearing**) in accordance with these OTC Rules.

### 1.2 Futures Rules and their application

These OTC Rules form part of:

- (a) the Operating Rules of ASX Clear (Futures), which are referred to as the **Futures Rules**; and
- (b) the contract constituted between ASX Clear (Futures) and Clearing Participants, and between each Clearing Participant, under the Futures Rules.

For the purpose of the Futures Rules, each “Futures Term” in the following table includes the corresponding “OTC Term” used in these OTC Rules:

<b>Futures Term</b>	<b>OTC Term</b>
Clearing Participants	OTC Participants
Market Contracts	OTC Transactions
Open Contracts	OTC Open Contracts
Open Position	OTC Open Position
Commitment	OTC Commitment
Initial Margin	OTC Initial Margin
Variation Margin	OTC Daily Variation Margin

Accordingly, unless these OTC Rules, (or the Futures Rules), specify otherwise, the provisions of the Futures Rules which apply to one of these Futures Terms also applies to OTC Clearing as if it referred to its corresponding OTC Term.

At the beginning of each OTC Rule a “signpost” provision has been included to specify to which Futures Rules that OTC Rule relates and the extent to which those Futures Rules apply to OTC Clearing. Where a signpost specifies that particular Futures Rules apply to OTC Clearing it means it applies as if it referred to its corresponding OTC Terms on the basis of the table set out above.

These OTC Rules prevail if they specify that a Futures Rule does not apply to OTC Clearing, or if these OTC Rules are inconsistent with, or vary, the Futures Rules.

For clarity, Schedule 1 (Relationship with Futures Rules) to these OTC Rules sets out a matrix showing which Futures Rules do not apply to OTC Clearing and OTC Open Contracts.

### 1.3 Meanings of terms

Unless they are defined in these OTC Rules (including in this OTC Rule 1 (Scope and Interpretation)), capitalised terms used in these OTC Rules have the meaning which they have in the Futures Rules.

### 1.4 OTC Handbook

The ASX OTC Handbook of ASX Clear (Futures) is referred to as the **OTC Handbook**. The OTC Handbook sets out the terms and procedures relating to OTC Clearing and other related matters. Each OTC Participant (on behalf of itself and, if applicable, its CPM Clients) undertakes to comply with the provisions of the OTC Handbook and a failure to do so is a contravention of these OTC Rules. However, the OTC Handbook does not form part of these OTC Rules or the Futures Rules. Also, these OTC Rules (and, if applicable, the Futures Rules) prevail in the event of any inconsistency between these OTC Rules and the OTC Handbook.

*[Explanatory Note: The amendment to OTC Rule 1.4 provides that, where applicable, each OTC Participant also undertakes to comply with the provisions of the OTC Handbook on behalf of its CPM Clients (as well as on behalf of itself).]*

### 1.5 OTC Participants

A Clearing Participant who is authorised to clear OTC Transactions in accordance with these OTC Rules is referred to as an **OTC Participant**.

### 1.6 OTC Transactions and OTC Transaction Type

These OTC Rules govern the clearing of over-the-counter derivatives that meet the eligibility criteria set out in the OTC Handbook, which are referred to as **OTC Transactions**. The categories of OTC Transactions described in the OTC Handbook are referred to as **OTC Transaction Types**.

Each OTC Transaction must be an interest rate derivative denominated in Australian dollars or New Zealand dollars.

### 1.7 OTC Open Contract

The contract with ASX Clear (Futures) which is taken to arise from the registration of an OTC Transaction is referred to as an **OTC Open Contract**.

*[Explanatory Note: OTC Rule 1.7 has been amended to reflect that, for the purposes of client clearing, the contract will not solely be the contract of the OTC Participant with ASX Clear (Futures).]*

### 1.8 OTC Open Position

The entitlements and obligations held by an OTC Participant under an OTC Open Contract which have not been completed or Terminated (as described in Rule 6 (Default)) are referred to as an **OTC Open Position**.

*[Explanatory Note: OTC Rule 1.8 has been amended to reflect that:*

- *the entitlements and obligations relating to an OTC Open Contract will not always be solely those of the OTC Participant; and*
- *OTC Open Positions will not always be House Positions.]*

## 1.9 Re-bilateralisation

The process whereby two OTC Open Contracts which have equal but offsetting terms (except for the identity of the parties) may be removed from the clearing facility in accordance with the OTC Rules is referred to as **re-bilateralisation**.

## 1.10 OTC Terms

The terms of OTC Open Contracts are referred to as the **OTC Terms** and are set out in the OTC Handbook.

## 1.11 Interpretation

Unless the contrary intention appears, in these OTC Rules:

- a reference to a particular "OTC Rule" is a reference to that rule in these OTC Rules;
- a reference to any thing (including an amount) is a reference to the whole and each part of it;
- a reference to a document (including the Futures Rules, these OTC Rules and the OTC Handbook) includes any variation or replacement of it;
- the word "law" includes common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- a reference to Australian dollars, dollars, AUD, \$ or A\$ is a reference to the lawful currency of Australia;
- a reference to a time of day is a reference to Sydney time;
- the word "person" includes an individual, a firm, a body corporate, an unincorporated association and an authority;
- a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- the words "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- a reference to the Corporations Act is a reference to the *Corporations Act 2001 (Cwlth)*;
- an expression in an OTC Rule which deals with a matter dealt with in a provision of the Corporations Act has the same meaning that it has in that provision of the Corporations Act; and
- in the interpretation of an OTC Rule, a construction that would promote the purpose or object underlying the OTC Rules (whether that purpose or



object is expressly stated in the OTC Rules or not) is to be preferred to a construction which would not promote that purpose or object.

### 1.12 Number

In these OTC Rules, the singular includes the plural and the plural includes the singular.

### 1.13 Headings

Headings (including those in brackets at the beginning of paragraphs) in these OTC Rules are for convenience only and do not affect the interpretation of these OTC Rules.

### 1.14 Signpost: Good standing

For the purposes of these OTC Rules, and for the purposes of any OTC Participant, the provisions of Futures Rule 1.2 (Good Standing) apply.

## 2 PARTICIPATION AND GENERAL

### 2.1 Signpost to related Futures Rules

The OTC Rules in this OTC Rule 2 (Participation and General) relate to matters addressed in Part 2 (General) of the Futures Rules, other than Futures Rules 5 (Commitment to Support Obligations of ASX Clear (Futures)) to 8 (Financial Requirement) (to which OTC Rules 3 and 6 are related). Of these related Futures Rules the following Futures Rules apply to OTC Clearing, where relevant as supplemented and varied by these OTC Rules:

- 3.2 (Fees)
- 4 (Becoming a Clearing Participant), other than 4.3 and 4.14(ja) and (l)
- 9 (Position Limits)
- 9A (Regulation)
- 10 (Appointment of Board as Agent)
- 11 (Resignation and Change in Control)
- 12 (Appeals)
- 13 (Access to Records)
- 14 (Amendment to Rules)
- 16 (Use of Exchange System)
- 17 (Terms relating to Exchange Equipment)
- 18 (Terms relating to Both Licensed Software and Exchange Equipment)
- 19 (Miscellaneous)
- 20 (Risk Committee)

**[Explanatory Note:** *The amendment to OTC Rule 2.1 provides that Futures Rules 4.14(j) and (k) apply to OTC Clearing, as supplemented and varied by the OTC Rules where relevant.]*

## 2.2 Becoming an OTC Participant

To be an OTC Participant, an entity must be admitted as a Clearing Participant under the Futures Rules and authorised by ASX Clear (Futures) to participate in OTC Clearing in accordance with these OTC Rules. If an entity which was an OTC Participant ceases to be a Clearing Participant, then it also ceases to be an OTC Participant.

However, an OTC Participant need not be a Futures Participant as defined in the Futures Rules.

A Clearing Participant may apply for an authorisation to clear OTC Transactions, or certain OTC Transaction Types, in accordance with these OTC Rules. The application for this authorisation is referred to as an application to “become an OTC Participant”.

## 2.3 Conditions to become an OTC Participant

A Clearing Participant which satisfies the following conditions may apply to become an OTC Participant:

- (a) it is:
  - (i) either:
    - (A) an Australian Bank; or
    - (B) an Australian subsidiary of an Australian Bank,
 in each case, which is regulated by the Australian Prudential Regulation Authority in accordance with the *Banking Act 1959 (Cwlth)* or is the holder of an appropriate (as determined by ASX Clear (Futures) in its sole discretion) Australian Financial Services Licence; or
  - (ii) the holder of an appropriate (as determined by ASX Clear (Futures) in its sole discretion) Australian Financial Services Licence, or a similar licence issued in a jurisdiction other than Australia, on the basis of which it is exempt from the requirement to hold an Australian Financial Services Licence; and
- (b) it meets the applicable Financial Requirements under OTC Rule 3.3 (Financial Requirements of OTC Participants); and
- (c) it can demonstrate to the satisfaction of ASX Clear (Futures) its ability to participate in the default management process maintained by ASX Clear (Futures) and referred to in OTC Rule 6.2 (Default management process), including participating in a DM Auction which includes both OTC Open Contracts and, if applicable, other Open Contracts of the Defaulted OTC Participant; and
- (d) if a Clearing Participant who applies to be an OTC Participant is not a Futures Participant, it must have in place arrangements (which may not be withdrawn without ASX Clear (Futures)' consent) for a Futures Participant to clear Market Contracts which the applicant acquires in any DM Auction. The applicant must provide evidence of these arrangements to ASX Clear (Futures) in form and substance satisfactory to ASX Clear (Futures); and
- (e) such other conditions as may be set out in the OTC Handbook.

In special circumstances to the satisfaction of ASX Clear (Futures), and with ASX Clear (Futures)' consent, a person not satisfying these requirements may apply to become an OTC Participant.

*[Explanatory Note: The amendments to OTC Rule 2.3 provide that a Clearing Participant may also apply to become an OTC Participant where it meets the conditions in OTC Rule 2.3 and is the holder of an appropriate (as determined by ASX Clear (Futures) in its sole discretion) Australian Financial Services Licence, or is exempt from the requirement to hold an Australian Financial Services Licence on the basis that it holds a similar licence issued in a jurisdiction other than Australia.]*

## **2.4 Application to be an OTC Participant**

An applicant intending to become an OTC Participant must lodge with ASX Clear (Futures):

- (a) an application in the form required by ASX Clear (Futures) duly executed by the applicant;
- (b) such information and evidence concerning the applicant as ASX Clear (Futures) may require;
- (c) an undertaking by the applicant in the form required by ASX Clear (Futures) to abide by these OTC Rules, the OTC Handbook and the Futures Rules as varied from time to time;
- (d) an application fee of an amount determined by ASX Clear (Futures); and
- (e) such other documents, information or evidence as are set out in the OTC Handbook.

In considering an application to become an OTC Participant, ASX Clear (Futures) may request any information or evidence which it thinks fit.

## **2.5 Approval of application**

In its discretion ASX Clear (Futures) may approve an application where it:

- (a) is satisfied that the applicant meets the conditions in OTC Rule 2.3 (Conditions to become an OTC Participant); and
- (b) expects that the applicant will continue to meet all applicable admission and general conduct requirements for Clearing Participants under the Futures Rules.

These requirements are continuing and need to be satisfied for as long as the Clearing Participant is an OTC Participant.

The approval of ASX Clear (Futures) to authorise a Clearing Participant as an OTC Participant may be limited to a particular OTC Transaction Type.

## **2.6 Fees and OTC Commitment**

Any authorisation of a Clearing Participant as an OTC Participant does not take effect until the applicant has:

- (a) paid the fees as required by ASX Clear (Futures) in accordance with the OTC Handbook; and
- (b) provided its OTC Commitment to ASX Clear (Futures) in accordance with OTC Rule 3 (Commitments and Financial Requirements).

Unless these requirements are satisfied within two months of the date of the approval by ASX Clear (Futures) to authorise such Clearing Participant as an OTC Participant, or such further time as ASX Clear (Futures) may in its discretion allow, the approval lapses.

## 2.7 Conditions on authorisation

In addition to the requirements set out in OTC Rule 2.5 (Approval of application) above, ASX Clear (Futures) may impose any additional conditions on an authorisation as an OTC Participant as it thinks fit from time to time. This may include limitations with respect to the OTC Transaction Types which an OTC Participant may clear.

At any time, if an OTC Participant does not comply, or is likely to not comply, with any of the conditions of its authorisation as an OTC Participant then it must notify ASX Clear (Futures) immediately.

## 2.8 Limitations on authorisation

Authorisation as an OTC Participant is a privilege granted by ASX Clear (Futures) and may be withdrawn by ASX Clear (Futures) at any time. ASX Clear (Futures) will act reasonably and in good faith in deciding to withdraw the authorisation of an OTC Participant and will provide notice in writing to the OTC Participant outlining the reasons for the withdrawal of its authorisation under this OTC Rule.

An OTC Participant may not assign, charge, declare a trust in respect of, or otherwise deal with its rights or privileges under these OTC Rules. ASX Clear (Futures) is not required to recognise any purported interest of any person in the rights of an OTC Participant under these OTC Rules.

However, this OTC Rule 2.8 is subject to the Client Protection Model Provisions, to the extent to which they apply.

*[Explanatory Note: The amendment to OTC Rule 2.8 provides that this Rule is subject to the Client Protection Model Provisions, to the extent they apply.]*

## 2.9 Fees

ASX Clear (Futures) may impose different fees on an OTC Participant from those which are imposed on a Clearing Participant which is not an OTC Participant. Also, ASX Clear (Futures) may impose different fees on OTC Participants authorised to clear different OTC Transaction Types.

Each OTC Participant must pay the fees imposed on it on demand or at such other specified time. Fees which are due and payable under these OTC Rules or the Futures Rules for which payment has not been received by ASX Clear (Futures) by the due date may be deducted by ASX Clear (Futures) from any credit balance of the House Clearing Account of the OTC Participant.

## 2.10 Relationship with ASX Clear (Futures)

Each OTC Participant deals with ASX Clear (Futures) under these OTC Rules and the Futures Rules as principal, not on behalf of any other person and not as trustee.

ASX Clear (Futures) need not recognise the interests of any person who claims to have an interest in the rights which an OTC Participant has against ASX Clear

(Futures) and ASX Clear (Futures) is not responsible for the performance or liabilities of any OTC Participant to any person.

However, this OTC Rule 2.10 is subject to the Client Protection Model Provisions, to the extent to which they apply.

*[Explanatory Note: The amendment to OTC Rule 2.10 provides that this Rule is subject to the Client Protection Model Provisions, to the extent they apply.]*

## **2.11 Variations to OTC Handbook**

ASX Clear (Futures) may vary or replace the OTC Handbook from time to time. Any such variation or replacement of the OTC Handbook will become effective at the time specified by ASX Clear (Futures). ASX Clear (Futures) agrees to notify in advance the OTC Participants of any such variation or replacement. The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, any OTC Participant does not invalidate any variation or replacement.

## **2.12 Termination of OTC Clearing service**

If at any time ASX Clear (Futures) decides to cease providing the OTC Clearing service provided under these OTC Rules, it agrees to provide at least six months' notice to all OTC Participants in writing, and to all CPM Clients by notice on the ASX website, of the date on which the service will cease. However, this is not invalidated by any OTC Participant or CPM Client not receiving this notice.

ASX Clear (Futures) will consult with the Risk Committee regarding the process for the discontinuation of the OTC Clearing service in accordance with the Futures Rules.

If there are any OTC Open Contracts on the date for cessation of the service which has been notified by ASX Clear (Futures) then ASX Clear (Futures) may, at its sole discretion:

- (a) terminate any or all of such OTC Open Contracts and require them to be cash settled at a price determined by ASX Clear (Futures) by reference to the last determined OTC Daily Closing Value for such OTC Open Contracts; or
- (b) postpone the date of the cessation of the service until such time as ASX Clear (Futures) determines.

*[Explanatory Note: The amendments to OTC Rule 2.12 provide that, if at any time ASX Clear (Futures) decides to cease providing the OTC Clearing service, it will provide notice to OTC Participants in writing, and notice to CPM Clients on the ASX Clear (Futures) website. However, this will not be invalidated by any OTC Participant or CPM Client not receiving this notice.]*

## **2.13 Obligations of OTC Participant prior to termination**

The termination or suspension of a Clearing Participant or termination of its authorisation as an OTC Participant in respect of an OTC Transaction Type does not affect any accrued rights or obligations existing as between the OTC Participant (including those held on behalf of any CPM Client) and each of ASX Clear (Futures), a Related Body Corporate of ASX Clear (Futures), or other OTC Participants.

Without limiting the above, following the termination or suspension of a Clearing Participant or termination of its authorisation as an OTC Participant in respect of an OTC Transaction Type under these OTC Rules:

- (a) the OTC Rules continue to apply and ASX Clear (Futures) will continue to have jurisdiction in respect of the OTC Participant concerning any conduct or any failure to comply with the OTC Rules which occurred before the termination or suspension, whether that conduct or failure was by the OTC Participant or by any other person for whose conduct the OTC Participant was responsible;
- (b) the OTC Participant continues to be bound by any indemnity given by the OTC Participant under these OTC Rules or the Futures Rules; and
- (c) other Futures Rules and OTC Rules continue to apply in respect of the Participant to the extent required to give effect to paragraphs (a) and (b).

Without limiting the above, ASX Clear (Futures) is entitled to require any outstanding OTC Open Contract of the OTC Participant to be removed in accordance with OTC Rule 4.13 (Re-bilateralisation).

*[Explanatory Note: The amendments to OTC Rule 2.13 provide that the termination or suspension of a Clearing Participant or termination of its authorisation of an OTC Participant in respect of an OTC Transaction Type will not affect any accrued rights or obligations existing as between the OTC Participant and each of ASX Clear (Futures), a Related Body Corporate of ASX Clear (Futures), or other OTC Participant, including where those accrued rights or obligations are held on behalf of a CPM Client.]*

#### **2.14 OTC Product Committees**

Committees related to OTC Clearing (referred to as **OTC Product Committees**) may be established in accordance with the procedures set out in the OTC Handbook. Each OTC Participant must comply with the procedures set out in the OTC Handbook in respect of any OTC Product Committee of which it is a member.

#### **2.15 Access arrangements and trade authorisation**

An OTC Participant must:

- (a) establish and maintain access arrangements for submission of messages to ASX Clear (Futures) via the Approved Trade Source System that meets the minimum standards set out in the OTC Handbook;
- (b) establish and maintain appropriate arrangements for internal authorisation of the submission of OTC Transactions for registration and requests to re-bilateralise, cancel, amend or transfer OTC Open Contracts; and
- (c) sign an Attestation in the form set out in the OTC Handbook and lodge the signed Attestation with ASX Clear (Futures) within 3 months of the end of each calendar year.

#### **2.16 Client Sub-Accounts**

A Clearing Participant may hold Open Positions in respect of OTC Open Contracts in a Client Sub-Account only on behalf of Clients which have been approved by ASX Clear (Futures) in accordance with the OTC Handbook.

In respect of each Client, the Clearing Participant and Client each represent that the Client is a wholesale client (as defined under the Corporations Act) and that at least one of the following is correct:

- (a) the Client is incorporated in Australia; or
- (b) the Client is carrying on business in Australia (as that concept is defined under the Corporations Act); or
- (c) in respect of contracts to be registered in the Client Sub-Account maintained for the Client, the Client is acting on behalf of an entity or entities, that are incorporated or carrying on business in Australia.

Nothing in this OTC Rule limits Futures Rule 113.5.

*[Explanatory Note: New OTC Rule 2.16 provides that Open Positions in respect of OTC Open Contracts may be held in a Client Sub-Account by a Clearing Participant on behalf of Clients that are approved by ASX Clear (Futures).]*

### 3 COMMITMENTS AND FINANCIAL REQUIREMENTS

#### 3.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in Futures Rules:

- 5 (Commitment to Support Obligations of ASX Clear (Futures))
- 6 (Withdrawal of Clearing Participant Commitment)
- 8 (Financial Requirements)

These Futures Rules are applicable to OTC Clearing, as supplemented and varied by these OTC Rules.

#### 3.2 OTC Commitment

OTC Participants must provide a commitment to the financial support of the obligations of ASX Clear Futures (**OTC Commitment**) in the form prescribed by ASX Clear (Futures) as set out in the OTC Handbook and as calculated in accordance with Schedule 2 (OTC Commitment).

The aggregate amount of OTC Commitment is one hundred million dollars (A\$100,000,000), subject to the transitional arrangements set out in Schedule 2 (OTC Commitment). The amount of OTC Commitment held by ASX Clear (Futures) may exceed the Aggregate OTC Commitment determined in accordance with Schedule 2 during a period where an OTC Participant is admitted but has not been previously included in the quarterly recalculation of OTC Commitment.

An OTC Participant that is also a Futures Participant must provide an additional Futures Commitment calculated in accordance with the Futures Rules.

#### 3.3 Financial Requirements of OTC Participants

An OTC Participant must:

- (a) have:
  - (i) if it is an Australian Bank, a minimum Tier 1 capital of \$50,000,000; or
  - (ii) if it is not an Australian Bank, a minimum level of Net Tangible Assets equal to \$50,000,000. For this purpose, Net Tangible Assets has the same meaning as it has in the Futures Rules; and

- (b) lodge with ASX Clear (Futures) the following financial information:
  - (i) if it is an Australian Bank, a quarterly capital statement of its Tier 1 capital in the form prescribed by ASX Clear (Futures); or
  - (ii) if it is not an Australian Bank, the financial information required of a Clearing Participant in accordance with the Futures Rules; and
- (c) immediately advise ASX Clear (Futures) if any of the financial circumstances set out in the OTC Handbook occur in respect of the OTC Participant (if any such financial circumstances are set out in the OTC Handbook).

ASX Clear (Futures) may determine that the Financial Requirements of a particular OTC Participant are to exceed those specified above. ASX Clear (Futures) will make such a determination having regard to the number or value of OTC Open Contracts held by the OTC Participant, its assessment of the OTC Participant's risk under such OTC Open Contracts, the requirement of insurers or any other relevant factor. Where an OTC Participant is also a Futures Participant, ASX Clear (Futures) may also make such a determination having regard to both OTC Open Contracts and other Open Contracts. Any increased Financial Requirements determined by ASX Clear (Futures) apply to that OTC Participant until ASX Clear (Futures) determines otherwise.

An OTC Participant who is also a Futures Participant will only be required to comply with an amount equal to the greater of:

- (a) the Financial Requirements applicable to it as a Futures Participant; or
- (b) the Financial Requirements applicable to it as an OTC Participant, unless otherwise provided under this OTC Rule 3.3.

## 4 REGISTRATION

### 4.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in Part 3 (Registration of Market Contracts and Obligations of ASX Clear (Futures)) of the Futures Rules. Accordingly, Part 3 of the Futures Rules (except Futures Rules 31.8 and 34) does not apply to OTC Clearing.

### 4.2 OTC Participants and OTC Participant Related Entities

Only OTC Participants are entitled to have OTC Transactions registered in their name, in either their House Clearing Account or their Client Clearing Account (as determined in accordance with these OTC Rules and the Futures Rules).

Except to the extent that the Client Protection Model Provisions apply, each OTC Participant must be acting as principal in respect of each OTC Transaction and each OTC Participant represents and warrants that it is acting as principal in respect of an OTC Transaction.

However, ASX Clear (Futures) may approve a Related Body Corporate of an OTC Participant to be an **OTC Participant Related Entity**. OTC Transactions which have been entered into by an OTC Participant Related Entity may also be submitted for registration as an OTC Transaction of the related OTC Participant in accordance with OTC Rule 4.3 (Submission of OTC Transactions). If such an OTC Transaction is accepted for registration in accordance with OTC Rule 4.6 (Creation of OTC Open



Contracts) then the OTC Transaction will be registered by ASX Clear (Futures) in the name of the related OTC Participant and in its House Clearing Account.

The related OTC Participant:

- (a) will be taken to be, and will be taken to have been, party to that OTC Transaction for the purposes of these OTC Rules, the OTC Handbook and the Futures Rules, regardless of the identity of the original contracting party to the OTC Transaction;
- (b) will be taken to be acting as principal in respect of that OTC Transaction and ASX Clear (Futures) will not in any way be required to recognise any OTC Participant Related Entity and is not in any way responsible for the performance of the obligations under OTC Open Contracts to any OTC Participant Related Entity;
- (c) will ensure that the OTC Transaction is terminated in accordance with OTC Rule 4.6(b) as if it were an original contracting party to that OTC Transaction and represents and warrants that it has the full capacity and authority to terminate the OTC Transaction on behalf of the OTC Participant Related Entity; and
- (d) indemnifies and will keep indemnified ASX Clear (Futures) 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 (Futures) on a payment made under this indemnity) against or incurred by any of ASX Clear (Futures), its officers, representatives, agents or contractors arising out of or in connection with the registration of the OTC Transaction submitted by an OTC Participant Related Entity, or any action taken by, or any inaction by, any of ASX Clear (Futures) or its officers, representatives, agents or contractors in connection with the registration of the OTC Transaction submitted by an OTC Participant Related Entity, to the extent that it was not caused by the negligence, fraud or wilful default of ASX Clear (Futures).

ASX Clear (Futures) will not in any way have any obligation in connection with, or be on notice in relation to, any matter arising between the OTC Participant and any OTC Participant Related Entity or otherwise affecting the OTC Participant Related Entity. Nothing in this provision means that any OTC Participant Related Entity:

- (i) is an OTC Participant for the purpose of these OTC Rules, the OTC Handbook and the Futures Rules;
- (ii) has any rights against ASX Clear (Futures); or
- (iii) has any interest in any OTC Open Contract.

In addition, nothing in this provision limits OTC Rule 2.10 (Relationship with ASX Clear (Futures)).

**[Explanatory Note:** *The amendments to OTC Rule 4.2 provide that:*

- *only OTC Participants are entitled to have OTC Transactions registered in their name, in either their House Clearing Account or their Client Clearing Account;*
- *each OTC Participant must be acting as principal in respect of each OTC Transaction, except to the extent that the Client Protection Model Provisions apply; and*

- *if an OTC Transaction has been entered into by an OTC Participant Related Entity of a related OTC Participant then the OTC Transaction will be registered in the name of the related OTC Participant and in its House Clearing Account.]*

#### **4.3 Submission of OTC Transactions**

An OTC Transaction to be submitted for registration must be presented to ASX Clear (Futures) in accordance with the OTC Handbook.

OTC Transactions must be submitted for registration using an Approved Trade Source System (as described in the OTC Handbook).

OTC Transactions submitted through an Approved Trade Source System must be in an acceptable message format, as prescribed by ASX Clear (Futures) from time to time.

ASX Clear (Futures) will satisfy itself that a trade source system is suitable as an Approved Trade Source System for ASX Clear (Futures) before approving it as an Approved Trade Source System.

A Client may submit an OTC Transaction to ASX Clear (Futures) for approval by the Client's relevant OTC Participant in accordance with the above.

Once consent has been obtained or is taken to have been obtained (in accordance with the OTC Handbook) from the OTC Participants in whose Clearing Account the OTC Open Contracts would be created by the registration of that OTC Transaction, then the OTC Transaction is taken to have been submitted by the OTC Participant to ASX Clear (Futures) for registration.

An OTC Participant may notify ASX Clear (Futures) of limitations on the types of OTC Transactions which may be submitted for registration on behalf of a Client.

**[Explanatory Note:** *The amendments to OTC Rule 4.3 provide that:*

- *a Client may submit an OTC Transaction for registration;*
- *where so, the Client's OTC Participant must provide its consent to the registration of the OTC Transaction; and*
- *an OTC Participant may notify ASX Clear (Futures) of limitations on the types of OTC Transactions which may be submitted for registration on behalf of a Client.]*

#### **4.4 Reliance on correctness**

ASX Clear (Futures) is entitled to rely on the particulars of any OTC Transaction notified to it as being correct and it is not bound to recognise any error in relation to such particulars.

#### **4.5 Acceptance for registration**

ASX Clear (Futures) will accept the submission of an OTC Transaction for registration if:

- (a) the OTC Transaction has been submitted for registration in accordance with the OTC Handbook;
- (b) each OTC Participant with whom an OTC Open Contract would be registered in respect of that OTC Transaction:

- (i) was not in Default as at the time at which the OTC Transaction was received by ASX Clear (Futures) for registration;
  - (ii) is authorised as an OTC Participant in respect of the relevant OTC Transaction Type; and
  - (iii) is entitled under these OTC Rules and the Futures Rules to have an OTC Transaction registered in its name;
- (c) the OTC Transaction satisfies the OTC Eligibility Criteria set out in the OTC Handbook;
  - (d) the OTC Transaction passes the limit check applicable to it in accordance with the OTC Handbook for each OTC Participant with whom an OTC Open Contract would be registered in respect of that OTC Transaction;
  - (e) ASX Clear (Futures) does not reasonably believe that its registration of the OTC Transaction will contravene applicable law; and
  - (f) each applicable additional condition relevant to the OTC Transaction set out in the OTC Handbook is satisfied.

In addition, ASX Clear (Futures) may, in its absolute discretion, accept the submission of an OTC Transaction for registration if it does not satisfy all or any of the conditions set out in (a) to (f) above.

Where ASX Clear (Futures) has accepted the submission of an OTC Transaction for registration, that OTC Transaction will be deemed to have been registered as at the time it was received by ASX Clear (Futures).

*[Explanatory Note: The amendment to OTC Rule 4.5 reflects that OTC Open Contracts will not always be registered in the House Clearing Account, and that ASX Clear (Futures) may choose to accept an OTC Transaction for registration even where the conditions specified are not satisfied.]*

#### 4.6 Creation of OTC Open Contracts

The effect of registration of an OTC Transaction is that ASX Clear (Futures) will be interposed, by novation, as the counterparty under an OTC Open Contract to each OTC Participant which was, or was taken to be, a party to the OTC Transaction. The result of this is that:

- (a) two OTC Open Contracts are created, one between ASX Clear (Futures) and each OTC Participant which was, or was taken to be, a party to the OTC Transaction. Under each OTC Open Contract, ASX Clear (Futures) has the same rights against, and obligations to, each OTC Participant which the other OTC Participant had, or was taken to have, under the OTC Transaction (this reference to the “same” rights or obligations is a reference to rights or obligations which are the same in nature and character as those rights or obligations rather than the same as to the person entitled to them or obliged to perform them);
- (b) the OTC Transaction is terminated so that each OTC Participant is released from its obligations to the other OTC Participant which was, or was taken to be, a party to the OTC Transaction, except for outstanding obligations which have fallen due for performance and which have not been performed at the time of registration; and
- (c) each OTC Participant which was, or was taken to be, a party to the OTC Transaction is bound by its respective OTC Open Contracts with ASX Clear (Futures) automatically and without any further action on their part.

The terms of these OTC Open Contracts incorporate all applicable terms of the OTC Rules and the OTC Handbook (including the OTC Terms set out in the OTC Handbook which are applicable to the relevant OTC Open Contract).

Subject to the Client Protection Model Provisions, each OTC Open Contract is between ASX Clear (Futures) and an OTC Participant as principal and not as agent and no other person has any rights or obligations under any OTC Open Contract between the OTC Participant and ASX Clear (Futures).

The OTC Open Contracts are not dependent on the valid existence of the associated OTC Transaction. If the OTC Transaction is rendered invalid after it has been registered, the corresponding OTC Open Contracts are not affected. However, this does not limit OTC Rule 4.7 (Exclusion of certain OTC Open Contracts).

*[Explanatory Note: The amendment to OTC Rule 4.6 provides that, subject to the Client Protection Model Provisions, each OTC Open Contract is between ASX Clear (Futures) and an OTC Participant as Principal and not as agent.]*

#### **4.7 Exclusion of certain OTC Open Contracts**

ASX Clear (Futures) is not obliged to meet its obligations under an OTC Open Contract where the OTC Transaction the registration of which gave rise to the OTC Open Contract:

- (a) was not entered into in good faith by the parties to the OTC Transaction; or
- (b) was, to the knowledge of the parties to the OTC Transaction, entered into with an intention by either party to the OTC Transaction to Default,

provided that:

- (i) the rights provided under this OTC Rule to ASX Clear (Futures) do not relieve the OTC Participant from any obligations to ASX Clear (Futures) under the OTC Open Contract; and
- (ii) the existence or exercise of any rights under this OTC Rule by ASX Clear (Futures) in relation to an OTC Open Contract does not affect or avoid ASX Clear (Futures)' obligations under any other OTC Open Contract whether or not arising from the registration of the same OTC Transaction.

ASX Clear (Futures) will act reasonably and in good faith in determining the existence of the events set out in OTC Rule 4.7(a) and (b) and will provide notice in writing to the OTC Participant outlining the reasons for its determinations and the exercise of any rights provided under this OTC Rule.

*[Explanatory Note: The amendment to OTC Rule 4.7 provides that ASX Clear (Futures) will not be obliged to meet its obligations under an OTC Open Contract where the OTC Transaction which gave rise to its registration was not entered into in good faith by the parties to the OTC Transaction.]*

#### **4.8 Incorrectly registered OTC Transactions**

If an OTC Transaction is incorrectly registered by ASX Clear (Futures) then ASX Clear (Futures) may, in its discretion:

- (a) with the agreement of the OTC Participants party to the OTC Open Contracts created by the registration, correct the registration of the OTC Transaction so that it is taken to have been registered as corrected and these OTC Rules and the Futures Rules apply accordingly; or

- (b) not amend the registration, in which case the original terms so registered will apply to that OTC Transaction and the consequent OTC Open Contracts created by the registration.

Any such correction in accordance with OTC Rule 4.8(a) may be made subject to any conditions imposed by ASX Clear (Futures) including provision of Margin. ASX Clear (Futures) is not liable to any person in connection with any correction so made.

*[Explanatory Note: The amendment to OTC Rule 4.8 provides that if an OTC Transaction is incorrectly registered by ASX Clear (Futures), ASX Clear (Futures) may, in its discretion, and with the agreement of the OTC Participants party to that OTC Open Contract, correct the registration of the OTC Transaction.]*

#### **4.9 Authoritative Record**

The record of OTC Open Contracts and OTC Open Positions maintained by ASX Clear (Futures) is the authoritative record and is conclusive at all times.

#### **4.10 Performance of OTC Open Contracts**

Each OTC Participant must perform all of its obligations under the terms of each OTC Open Contract registered in its name.

#### **4.11 Trade amendment and cancellation**

An OTC Open Contract may only be varied by OTC Participants by re-bilateralisation in accordance with OTC Rule 4.13 (Re-bilateralisation) and submission of a new OTC Transaction for registration in accordance with OTC Rule 4.3 (Submission of OTC Transactions).

An OTC Open Contract may only be cancelled by OTC Participants in accordance with OTC Rule 4.13 (Re-bilateralisation).

#### **4.12 Backloading**

An OTC Transaction with a trade date that is more than the number of Business Days prescribed in the OTC Handbook prior to the date of initial submission for registration of the OTC Transaction in a form that satisfies the OTC Eligibility Criteria set out in the OTC Handbook, must be submitted for registration in accordance with the OTC Handbook.

The submission for registration of such OTC Transactions requires bilateral agreement between the OTC Participants which are, or are taken to be, parties to the OTC Transactions of the full particulars required by ASX Clear (Futures) for each OTC Transaction.

#### **4.13 Re-bilateralisation**

The conditions for the removal of two OTC Open Contracts which have equal but offsetting terms (except for the identity of the parties) are:

- (a) the OTC Open Contracts must not have matured; and
- (b) there must be no cash flows (e.g. coupon settlement) under the OTC Open Contracts due on the day of re-bilateralisation.

Two OTC Open Contracts satisfying the above conditions may be removed by ASX Clear (Futures) if:

- (a) each OTC Participant in whose account an OTC Open Position in respect of one of those OTC Open Contracts is being held notifies ASX Clear (Futures) of its instructions to remove the OTC Open Contract;
- (b) any conditions on accepting such instructions determined by ASX Clear (Futures) in its discretion (which may include the provision of Margin from either or both OTC Participants) have been satisfied;
- (c) neither OTC Participant is in Default at the time at which the instructions are received by ASX Clear (Futures); and
- (ed) ASX Clear (Futures) chooses, at its discretion, to accept those instructions.

The effect of the removal is that the OTC Open Contracts are terminated and ASX Clear (Futures) no longer has any rights against, or obligations to, either of the OTC Participants which held an OTC Open Position with respect to that OTC Open Contract or, if applicable, their CPM Clients, under the terms of those OTC Open Contracts.

Any request for re-bilateralisation may only be made in accordance with the OTC Participant's internal arrangements for authorising such a request, which the OTC Participant is required to have under OTC Rule 2.15 (Access arrangements and trade authorisation).

The OTC Handbook sets out the procedures and timing for the removal of OTC Open Contracts. The OTC Participants and, if applicable, their CPM Clients, may agree the terms of a transaction between them following, and in connection with, removal of the OTC Open Contract.

**[Explanatory Note: The amendments to OTC Rule 4.13 reflect that:**

- *for the purposes of client clearing, OTC Open Positions may be held in an OTC Participant's account;*
- *where two OTC Open Contracts are removed by ASX Clear (Futures) in accordance with OTC Rule 4.13, ASX Clear (Futures) no longer has any rights against, or obligations to, either of the OTC Participants or, if applicable, their CPM Clients, under the terms of those OTC Open Contracts; ~~and~~*
- OTC Participants, and, if applicable, their CPM Clients, may agree the terms of a transaction between them following, and in connection with, removal of the OTC Open Contract; ~~and~~
- *Rebilateralisation cannot occur if one of the OTC Participants to the OTC Open Contract is in Default.*

#### 4.14 Transfer of OTC Open Contracts

Any transfer of an OTC Open Contract by an OTC Participant may only be effected in accordance with this OTC Rule 4.14. Any purported transfer not in accordance with this OTC Rule will not be effective.

The conditions for transferring an OTC Open Contract upon the request of an OTC Participant are:

- (a) the OTC Open Contract must not have matured;
- (b) there must be no cash flows under the OTC Open Contract due on the day of transfer; and
- (c) the transferee of the OTC Open Contract must be an OTC Participant.

ASX Clear (Futures) may, on the request of an OTC Participant, transfer an OTC Open Contract satisfying the above conditions to a Clearing Account of that OTC Participant (from another OTC Participant), if that OTC Participant is authorised in respect of the OTC Transaction Type to which that OTC Open Contract relates and neither OTC Participant is in Default at the time at which the request is received by ASX Clear (Futures). ASX Clear (Futures) may in its discretion, decline any request without cause or impose such conditions on accepting such a request as it thinks fit, including requiring Margin.

The OTC Participant from which the OTC Open Contract is to be transferred must consent to the transfer before it can be effected.

The transfer of an OTC Open Contract is effected by novation so that:

- (a) a new OTC Open Contract is created between ASX Clear (Futures) and the OTC Participant to whom the OTC Open Contract is to be transferred. Under this OTC Open Contract:
  - (i) ASX Clear (Futures) has the same rights against, and obligations to, the receiving OTC Participant which it had under the OTC Open Contract between ASX Clear (Futures) and the transferring OTC Participant; and
  - (ii) the receiving OTC Participant has the same rights against, and obligations to, ASX Clear (Futures) which the transferring OTC Participant had against ASX Clear (Futures) under the OTC Open Contract between ASX Clear (Futures) and the transferring OTC Participant.

However, this reference to the “same” rights or obligations is a reference to rights or obligations which are the same in nature and character as those rights or obligations rather than the same as to the person entitled to them or obliged to perform them; and

- (b) the OTC Open Contract between ASX Clear (Futures) and the transferring OTC Participant is terminated so that each of ASX Clear (Futures) and that OTC Participant is released from its obligations to the other, except for outstanding obligations which have fallen due for performance and which have not been performed at the time of registration.

**[Explanatory Note:** *The amendments to OTC Rule 4.14 provide that ASX Clear (Futures) may, on the request of an OTC Participant, transfer an OTC Open Contract satisfying the conditions in OTC Rule 4.14 held in a Clearing Account of that OTC Participant to another OTC Participant authorised in respect of the OTC Transaction Type to which that OTC Open Contract relates, provided that neither OTC Participant is in Default.*]

#### 4.15 OTC Portfolio Compression

If the requirements for portfolio compression set out in the OTC Handbook are met, then ASX Clear (Futures) will facilitate a portfolio compression cycle in accordance with the procedures set out in the OTC Handbook.

#### 4.16 Netting of OTC Open Contracts

OTC Open Contracts in the same Client Sub-Account may be netted in accordance with the procedures set out in the OTC Handbook.

*[Explanatory Note: Old OTC Rule 4.16 has been deleted as similar wording is already included in Futures Rule 31.8. New OTC Rule 4.16 provides that OTC Open Contracts in the same Client Sub-Account may be netted in accordance with the procedures set out in the OTC Handbook.]*

## 5 ACCOUNTS AND MARGIN

### 5.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in Part 4 (Accounts and Daily Settlement) of the Futures Rules. Part 4 of the Futures Rules (except Futures Rules 41, 44.5 to 44.7 and 47.2 to 47.4) does not apply to OTC Clearing except to the extent set out in this OTC Rule 5.

*[Explanatory Note: The amendment to OTC Rule 5.1 provides that Futures Rules 41, 44.5 and 44.7 (in addition to 47.2 to 47.4) apply to OTC Clearing. The deletion of old OTC Rule 5.2 reflects that, as a result of the introduction of client clearing, money or property owing in respect to OTC Open Positions will not always be registered in the OTC Participant's House Clearing Account.]*

### 5.2 Transfer of OTC Initial Margin

In respect of each of its OTC Open Positions, whether recorded in the House Clearing Account or the Client Clearing Account, each OTC Participant must transfer to ASX Clear (Futures) an amount of money in Australian dollars (or such other currency set out in the OTC Handbook as ASX Clear (Futures) accepts in its discretion) equal to the OTC Initial Margin required as determined by ASX Clear (Futures) from time to time. The amounts must be transferred upon demand or by such time as is set out in the OTC Handbook or is otherwise required by ASX Clear (Futures). These transferred amounts are to be dealt with by ASX Clear (Futures) in accordance with these OTC Rules and the Futures Rules.

OTC Initial Margin is Margin for the purpose of the Futures Rules.

*[Explanatory Note: The amendment to OTC Rule 5.2 provides this Rule applies to OTC Open Positions, whether they are recorded in the House Clearing Account or the Client Clearing Account.]*

### 5.3 Securities as OTC Initial Margin

ASX Clear (Futures) may in its absolute discretion:

- (a) accept the transfer of securities or other property set out in the OTC Handbook as OTC Initial Margin; and
- (b) prescribe limits on the aggregate amount of securities or other property that an OTC Participant can lodge as OTC Initial Margin, whether applicable to a particular OTC Participant or otherwise.

All such transfers are absolute transfers of all right, title and interest in the securities or other property to ASX Clear (Futures).

ASX Clear (Futures) may determine the valuation of any such securities or other property in its sole discretion. ASX Clear (Futures) may apply valuation haircuts to such valuations as set out in the OTC Handbook as varied from time to time, but subject to the right of ASX Clear (Futures) to determine different valuations at any time in its sole discretion.



ASX Clear (Futures) may from time to time require an OTC Participant to:

- (a) transfer further OTC Initial Margin to ensure that ASX Clear (Futures)' valuations of the money, securities or other property comprising the OTC Initial Margin is at least equal to the amount of OTC Initial Margin required from the OTC Participant; or
- (b) replace any securities or other property which have been transferred by the OTC Participant as OTC Initial Margin with money, other securities or other property required by ASX Clear (Futures).

The obligation upon an OTC Participant to make a transfer under this OTC Rule 5.4 is in addition to any other obligation of the OTC Participant to make transfers of cash amounts, securities, collateral or property as otherwise provided in accordance with the OTC Rules.

#### **5.4 Change of OTC Initial Margin obligations**

ASX Clear (Futures) may in appropriate circumstances, or for particular OTC Open Contracts or classes of OTC Open Contracts, determine a higher or lower rate of OTC Initial Margin for a particular OTC Participant, CPM Client or class of OTC Participants or CPM Clients.

In addition, ASX Clear (Futures) may, from time to time and in its discretion, require that an OTC Participant transfers in relation to OTC Open Positions a greater OTC Initial Margin than that which the OTC Participant would otherwise be required to provide.

*[Explanatory Note: The amendment to OTC Rule 5.4 provides that ASX Clear (Futures) may, in appropriate circumstances, determine a higher or lower rate of OTC Initial Margin for a particular CPM Client or class of CPM Clients.]*

#### **5.5 Portfolio Margining**

ASX Clear (Futures) may, from time to time, notify OTC Participants of specified classes of Open Contracts (other than OTC Open Contracts) that it may take into account in determining the amount of OTC Initial Margin required to be transferred by an OTC Participant.

An OTC Participant may, in accordance with the OTC Handbook, request that Open Contracts with that OTC Participant registered in a Clearing Account of an OTC Participant of a class so notified by ASX Clear (Futures) be taken into account in determining the amount of OTC Initial Margin required from that OTC Participant in respect of OTC Open Contracts held in the same Clearing Account. However, if the relevant Clearing Accounts are Client Clearing Accounts the request may only be made if the Open Contracts and OTC Open Contracts are both held in Individual Sub-Accounts of the same CPM Client.

If ASX Clear (Futures) accepts such a request from an OTC Participant, then ASX Clear (Futures) will:

- (a) take into account such Open Contracts in determining the amount of OTC Initial Margin required from that OTC Participant; and
- (b) not take such Open Contracts into account in determining the amount of Initial Margin other than OTC Initial Margin required from that OTC Participant,

in each case, in accordance with the OTC Handbook.

Without limiting its discretion to refuse such a request from an OTC Participant (including if it has previously been requested), ASX Clear (Futures) may refuse such a request if it is of the view that such portfolio margining would not reduce risk in respect of the clearing facilities provided in accordance with these OTC Rules. ASX Clear (Futures) is not required to demonstrate the basis for any such view.

*[Explanatory Note: The amendment to OTC Rule 5.5 provides that, for the purposes of portfolio margining, where the relevant Clearing Accounts are Client Clearing Accounts, a request for portfolio margining may only be made if the Open Contracts and OTC Open Contracts are both held in Individual Sub-Accounts of the same CPM Client.]*

## 5.6 OTC Intra-day Margin and OTC Extra Margin

An OTC Participant must, on each Business Day, transfer to ASX Clear (Futures) by way of **OTC Intra-day Margin** amounts owing as a result of any OTC Intra-day Margin call made by ASX Clear (Futures). The manner and timing of such payments are set out in the OTC Handbook.

In addition to, or instead of, the OTC Intra-day Margins ASX Clear (Futures) may at any time require, at its absolute discretion, any one or more OTC Participants (by a time determined by ASX Clear (Futures)) to transfer as **OTC Extra Margin** further cash, securities, margin or cover for OTC Open Contracts or OTC Transactions eligible to be registered. Such OTC Participants must, in accordance with such a requirement, transfer to ASX Clear (Futures) by way of OTC Extra Margin further cash, securities, margin or cover as ASX Clear (Futures) determines.

Any OTC Intra-day Margin and OTC Extra Margin transferred to ASX Clear (Futures) by an OTC Participant is to comply with the requirements for, be treated as, held by and dealt with ASX Clear (Futures) as OTC Initial Margin.

## 5.7 OTC Daily Closing Value

The closing value of OTC Open Contracts (referred to as **OTC Daily Closing Value**) will be determined by ASX Clear (Futures) in the manner, and at such times, as is set out in the OTC Handbook. This calculation by ASX Clear (Futures) is conclusive and final.

## 5.8 OTC Daily Variation Margin

ASX Clear (Futures) will calculate the OTC Daily Variation Margin applicable to OTC Open Contracts in the manner set out in the OTC Handbook.

Following each such determination:

- (a) if ASX Clear (Futures) determines that an OTC Participant needs to pay OTC Daily Variation Margin to ASX Clear (Futures) then the OTC Participant must pay to ASX Clear (Futures) the amount of any OTC Daily Variation Margin which ASX Clear (Futures) has determined is owing by the OTC Participant; or
- (b) if ASX Clear (Futures) determines that it needs to pay OTC Daily Variation Margin to an OTC Participant then ASX Clear (Futures) must pay to the OTC Participant the amount of any OTC Daily Variation Margin which ASX Clear (Futures) has determined is owing to the OTC Participant.

OTC Daily Variation Margin must be paid in Australian dollars, or such other currency that ASX Clear (Futures) determines is acceptable in its discretion from

time to time. The payment of OTC Daily Variation Margin is made absolutely and is to be in accordance with the OTC Handbook.

An OTC Participant is not entitled to repayment of the amount of OTC Daily Variation Margin except in accordance with these OTC Rules, the OTC Handbook and ASX Clear (Futures)' margining policy.

OTC Daily Variation Margin is Variation Margin for the purposes of the Futures Rules.

*[Explanatory Note: The amendment to OTC Rule 5.8 provides that OTC Daily Variation Margin is Variation Margin for the purposes of the Futures Rules.]*

## **5.9 Price Alignment Interest**

Price Alignment Interest is payable on OTC Daily Variation Margin in the manner set out in the OTC Handbook.

## **5.10 Excess Margin**

All amounts held by ASX Clear (Futures) in an OTC Participant's House Clearing Account, including any monies transferred in excess of an OTC Participant's Margin obligations at the time of the transfer, are taken to have been transferred for the purpose of satisfying Margin obligations of that OTC Participant.

Amounts held by ASX Clear (Futures) which are in excess of an OTC Participant's Margin obligations from time to time are refundable to the OTC Participant by ASX Clear (Futures) upon demand, provided that ASX Clear (Futures) is satisfied, in its absolute discretion, that such amounts will not be required to satisfy the OTC Participant's obligations (present, future or contingent) under the Rules (including a Margin obligation).

## **5.11 Errors, corrections and related disputes**

In the event ASX Clear (Futures) determines that an error has been made in relation to a calculation, payment, amount or similar under the OTC Rules, OTC Handbook or Futures Rules, whether paid or unpaid, due and payable or prospective, retrospective or contingent, ASX Clear (Futures) may, in its sole discretion:

- (a) carry out any or all adjustments or corrections that ASX Clear (Futures) deems appropriate in relation to that error; and
- (b) impose such conditions or undertake any such actions as ASX Clear (Futures) considers appropriate to deal with the consequential impacts (whether actual or potential) in relation to making such adjustments or corrections.

Where ASX Clear (Futures) determines to take any such actions under (a) or (b) above, ASX Clear (Futures) will notify the parties involved as soon as reasonably practicable after making such a determination. Where any adjustment or correction involves an adjustment payment to any previous amounts paid by an OTC Participant, the relevant party shall pay the adjustment amount within one Business Day of its receipt of ASX Clear (Futures)' determination.

ASX Clear (Futures) may determine any disputes in relation to errors, purported errors or any other related matters contemplated by this OTC Rule 5.11 including, but not limited to, matters relating to the calculation, payment or valuation of OTC Initial Margin, OTC Daily Variation Margin, OTC Intra-day Margin, OTC Extra Margin, coupons and Price Alignment Interest. Where ASX Clear (Futures) makes

such a determination in relation to a dispute, that determination will be final and binding on all the parties.

ASX Clear (Futures) is not liable to any person in connection with any adjustment, correction, condition, action, consequential impact (whether actual or potential) or determination made or incurred under this OTC Rule.

## 6 DEFAULT

### 6.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in:

- Futures Rule 7 (Satisfaction of Obligations of ASX Clear (Futures)); and
- Part 7 (Procedures on a Default) of the Futures Rules.

These OTC Rules supplement those Futures Rules, which continue to apply to OTC Clearing.

Part 7A (Termination with respect to ASX Clear (Futures)) of the Futures Rules applies to OTC Clearing.

Part 10 (Client Protection Model Provisions) of the Futures Rules applies, in accordance with its terms, to OTC Clearing.

*[Explanatory Note: The amendment to OTC Rule 6.1 provides that the Client Protection Model Provisions apply to OTC Clearing.]*

### 6.2 Default management process

The provisions of these OTC Rules, the Futures Rules and the OTC Handbook relating to default management (referred to as the **Default Management Provisions**) include:

- Futures Rule 7 and Part 7 of the Futures Rules;
- this OTC Rule 6 (Default);
- default management process set out in Schedule 3 (Default Management Process) to these OTC Rules;
- the procedures for the default management group set out in the OTC Handbook; and
- the procedures for default management auctions set out in Schedule 4 (Default Management Auction Procedures) to the OTC Handbook.

Each OTC Participant must:

- (a) comply with [and ensure each employee of the OTC Participant and of each Related Body Corporate of such OTC Participant complies with](#) its obligations in connection with the Default Management Provisions, [including maintaining internal systems and processes to support bidding in a DM Auction and acceptance of DM Hedging Transactions, Independent DM Transactions and DM Auction Transactions \(each as defined in Schedule 3 \(Default Management Process\) to these OTC Rules\)](#);
- (b) approve ASX Clear (Futures) as a counterparty with which it can enter into DM Hedging Transactions, Independent DM Transactions or DM Auction Transactions in accordance with the Default Management Provisions [and](#)

- deal with ASX Clear (Futures) as counterparty in a manner consistent with, and in any event on no less favourable terms, than the manner in which it deals with any other bank counterparty of the OTC Participant;
- (c) co-operate with, act in good faith toward, and not cause any hindrance to ASX Clear (Futures) in respect of any DM Hedging Transactions, Independent DM Transactions or DM Auction Transactions including providing competitive quotes in a timely manner upon request, such quotes to be two way prices in accordance with usual bid/offer conventions;
- (d) co-operate with, ~~act in good faith toward,~~ and not cause any hindrance to, ASX Clear (Futures) in the course of the management of any Default or Termination; ~~and~~
- (~~e~~) if requested by ASX Clear (Futures), take part in tests designed and implemented by ASX Clear (Futures) from time to time that evaluate the OTC Participant's ability to fulfil its default management obligations; and
- (f) appoint ~~employees of such OTC Participant or of any Related Body Corporate of such OTC Participant as:~~
- (i) ~~one of its employees as~~ Designated DMG Member; and
  - (ii) ~~one of its employees as~~ Designated DMG Deputy,
- as primary contacts for ASX Clear (Futures) for all general matters relating to default management. Each OTC Participant must notify ASX Clear (Futures) of the appointment in the manner prescribed by ASX Clear (Futures) in the OTC Handbook from time to time.

*[Explanatory Note: the amendments to OTC Rule 6.2 clarifies the nature of the assistance OTC Participants are required to give to ASX Clear (Futures) in relation to DM Hedging Transactions, Independent DM Transactions and DM Auction Transactions and extends the processes to employees of Related Bodies Corporate]*

### 6.3 Default and Defaulted OTC Participants

In accordance with Futures Rule 71.1 an OTC Participant must notify ASX Clear (Futures) if an event of Default occurs under Futures Rule 71.3 (as supplemented by OTC Rule 6.4 (Events of Default) below), or if the OTC Participant has reasonable grounds to suspect that an event of Default may occur.

Whether or not such notice is given, if ASX Clear (Futures) is of the opinion that there is an event of Default with respect to an OTC Participant then ASX Clear (Futures) may declare the OTC Participant to be in Default and for the purposes of the Futures Rules that OTC Participant is taken to have **Defaulted**.

Without limiting the above, an OTC Participant is automatically taken to have Defaulted if an event occurs in connection with insolvency or bankruptcy with respect to it of a type which is specified by ASX Clear (Futures) from time to time. If such an event occurs, then all of the OTC Participant's Open Contracts are subject to Termination having a Termination Time immediately upon the occurrence of such event.

### 6.4 Events of Default

The events of Default set out in Futures Rules 71.3 apply to OTC Participants. In addition, each of the following events are included in the list of the events of Default set out in Futures Rule 71.3 with respect to an OTC Participant and apply to OTC Participants:

- (a) the OTC Participant is in breach of the rules of any recognised, designated or overseas investment exchange or clearinghouse;
- (b) the OTC Participant fails to pay any sum due and payable, or threatens to suspend payment under the terms of any agreement;
- (c) the OTC Participant breaches any of the Financial Requirements prescribed by ASX Clear (Futures);
- (d) the OTC Participant breaches any conditions prescribed by ASX Clear (Futures) on its admission as a Clearing Participant or on its authorisation as an OTC Participant;
- (e) upon request by ASX Clear (Futures), which may be made at any time, the OTC Participant fails to confirm on or before the cut-off time reasonably specified by ASX Clear (Futures) in its request that it is able to pay its debts as they become due;
- (f) the OTC Participant:
  - (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
  - (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
  - (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
  - (iv) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official; or
    - (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof;
  - (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
  - (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

- (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter;
- (viii) causes or is subject to any of the events specified in clauses (i) to (vii) above (inclusive); or
- (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

## 6.5 Terminable Open Contracts

ASX Clear (Futures) may, from time to time, notify OTC Participants of classes of Open Contracts (other than OTC Open Contracts) that may be Terminated pursuant to OTC Rule 6.6 (Termination and Terminated Open Contracts). Open Contracts (other than OTC Open Contracts) of such classes are referred to as **Terminable Open Contracts**.

## 6.6 Termination and Terminated Open Contracts

The powers of ASX Clear (Futures) set out in Futures Rules 72 (Powers of ASX Clear (Futures) Upon A Default and Determination of a Loss) apply to OTC Participants.

By way of supplement, and not by limitation, if an OTC Participant is in Default then ASX Clear (Futures) can declare that the obligations of the OTC Participant and ASX Clear (Futures) under:

- (a) OTC Open Contracts; and
- (b) any or all Terminable Open Contracts as determined by ASX Clear (Futures),

to be the subject of a **Termination** and the time at which such Termination is to be effective (referred to as the **Termination Time**). The Open Contracts (whether OTC Open Contracts or Terminable Open Contracts) which are the subject of such a declaration [may relate to either House Positions or Client Positions \(or both\) and are referred to as \*\*Terminated Open Contracts\*\*. ASX Clear \(Futures\) may, but is not obliged to, consult with the relevant DMG\(s\) in accordance with the Default Management Provisions in determining which Open Contracts are to be Terminated Open Contracts and the relevant Termination Time.](#)

If ASX Clear (Futures) makes such a declaration then the present and future obligations of ASX Clear (Futures) and the OTC Participant to make payments under the terms of the Terminated Open Contracts (including payments of OTC Daily Variation Margin and Variation Margin) are terminated and the payments are no longer required to be made.

[\[Explanatory Note: the amendments to OTC Rule 6.6 clarify that ASX Clear \(Futures\) may consult with the DMG in determining which Open Contracts should be terminated.\]](#)

## 6.7 Termination Value

ASX Clear (Futures) may, at any time, calculate a **Termination Value** in respect of one or more Terminated Open Contracts as selected by ASX Clear (Futures).

Without limiting the factors which ASX Clear (Futures) may take into account in determining such Termination Value, it may take into account its determination of:

- (a) the value of obligations which fell due in connection with the Terminated Open Contract(s) (including payment of OTC Daily Variation Margin and Variation Margin) before the Termination Time but which have not been performed;
- (b) the value of obligations which would have been due for performance under the Terminated Open Contracts after the Termination Time if the Terminated Open Contract(s) had not been Terminated (including payment of OTC Initial Margin, Initial Margin, OTC Daily Variation Margin and Variation Margin); and
- (c) its losses, costs, charges and expenses in connection with the Default Management Process with respect to the Terminated Open Contract(s) including, without limitation, DM Hedging Transaction Costs and amounts payable by it in respect of the DM Auctions.

ASX Clear (Futures) may include the amount of interest in any or all of (a), (b) and (c), calculated in a manner consistent with OTC Rule 8.4 (Interest on overdue amounts).

ASX Clear (Futures) may include a Termination Value calculated by it in any netting conducted in accordance with Futures Rule 72.3.

ASX Clear (Futures)' determination of a Termination Value is conclusive, but does not limit any of its rights under these OTC Rules, the Futures Rules or at law.

*[Explanatory Note: The amendments to OTC Rule 6.7 amend typographical references relating to defined terms.]*

## **6.8 Combination and Allocation in default management process**

If Terminated Open Contracts involved in a default management process conducted in accordance with the Default Management Provisions relate to:

- (a) both House Positions and Client Positions of a Defaulted OTC Participant;  
or
- (b) the OTC Positions of more than one Defaulted OTC Participant.

then ASX Clear (Futures):

- (i) 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 purposes of hedging, sale or auction in accordance with the Default Management Provisions;
- (ii) is to allocate any Loss in connection with that default management process between the relevant Defaulted OTC Participants and between the House Accounts, Client Accounts and Client Sub-Accounts of the relevant Defaulted OTC Participants (referred to in this OTC Rule as a **Relevant Account**). This allocation is to be performed as of the time of combination of such Terminated Open Contracts and will be conducted by allocating any Losses to each Relevant Account proportionately to its relative risk as determined by ASX Clear (Futures) using the value of Initial Margin calculated with respect to each Relevant Account at the time of combination of the Terminated Open Contracts; and



(iii) in the case of a Relevant Account which is a Client Sub-Account, is to deduct any Loss so attributed to that Client Sub-Account in accordance with (ii) above from the Guaranteed Initial Margin Value of that Client Sub-Account in accordance with the Client Protection Model Provisions.

Schedule 6 (Allocation of Loss Worked Example) of the OTC Handbook provides an example of the allocation of Losses of ASX Clear (Futures) in accordance with this OTC Rule 6.8.

[Explanatory Note: new OTC Rule 6.8 provides an allocation method for Losses of ASX Clear (Futures) between the House Positions and Client Positions of a Defaulted OTC Participant. Such combination of positions may occur at any time during the default management process including prior to any DM Auction]

### **6.98 Application of OTC Initial Margin and all other amounts**

In addition to any other rights which ASX Clear (Futures) has in connection with the Default of an OTC Participant, ASX Clear (Futures) may apply or appropriate any amount of OTC Initial Margin, OTC Intra-day Margin or OTC Extra Margin or any other amount standing to the credit of the OTC Participant, and any other amount held by ASX Clear (Futures) in respect of the OTC Participant towards the payment or discharge of the amounts payable or deliverable by the Defaulted OTC Participant PROVIDED ALWAYS that any monies, securities, collateral or other property deposited with ASX Clear (Futures) with respect to OTC Open Positions designated to a Client Clearing Account, may be used to meet obligations in a Client Clearing Account only and must not be used to meet any obligations in a House Clearing Account.

However, this is subject to the Client Protection Model Provisions, to the extent to which they apply.

*[Explanatory Note: The amendment to OTC Rule 6.8 provides that, subject to the Client Protection Model Provisions, to the extent they apply, any monies, securities, collateral or other property deposited with ASX Clear (Futures) with respect to OTC Open Positions designated to a Client Clearing Account may be used to meet obligations in a Client Clearing Account only.]*

### **6.109 Information Sharing**

ASX Clear (Futures) may co-operate, by the sharing of information or otherwise, with any regulatory body or exchange, any relevant office-holder acting in relation to a Defaulted OTC Participant or its estate and any other authority or body having responsibility for, or any OTC Participant having an interest in, any matter arising out of or connected with the circumstances mentioned in these OTC Rules.

### **6.1140 Advice and Assistance**

Without prejudice to any other OTC Rule, if an OTC Participant is in Default, ASX Clear (Futures) may obtain such assistance or advice, whether legal advice or otherwise, as ASX Clear (Futures) may deem necessary and at the expense of a Defaulted OTC Participant for any matter arising out of or in connection with the Default of that OTC Participant.

## 7 EMERGENCIES AND FORCE MAJEURE

### 7.1 Signpost to related Futures Rules

Part 8 (Emergency situations and force majeure) of the Futures Rules is applicable to OTC Clearing.

## 8 MISCELLANEOUS

### 8.1 Signpost to related Futures Rules

These OTC Rules relate to matters addressed in Part 9 (Miscellaneous) of the Futures Rules. Futures Rules 96 (Notification to the Exchange) and 102 (Compulsory Settlement) do not apply to OTC Clearing. However, all of the other Futures Rules in Part 9 apply to OTC Clearing, where relevant.

In addition the following OTC Rules apply.

### 8.2 Payments by OTC Participants

Each payment made by an OTC Participant under these OTC Rules or the OTC Handbook must:

- (a) transfer all right, title and interest in the amount of money paid to ASX Clear (Futures);
- (b) be in the currency in which it is due and in immediately available and freely transferable funds;
- (c) be made on the due date for value on that date in Sydney;
- (d) be in full without set-off, cross-demand or counterclaim and without any deduction for taxes, levies, imposts, charges or duties (including stamp and transaction duties) imposed by any authority unless prohibited by law. Payments in respect of which such deduction or withholding is required to be made by law, by the OTC Participant, will be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, ASX Clear (Futures) receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made; and
- (e) be made into the relevant Clearing Account held of that OTC Participant or such other account nominated by ASX Clear (Futures).

However, on each Business Day, ASX Clear (Futures) may:

- (i) aggregate or net any or all payments due between it and an OTC Participant on that day with respect to House Positions (whether related to OTC Open Contracts, Futures Contracts or otherwise) in the same currency to produce a single net amount which is payable between them in that currency; and
- (ii) aggregate or net any or all payments due between it and an OTC Participant on that day with respect to Client Positions (whether related to OTC Open Contracts, Futures Contracts or otherwise) in the same currency to produce a single net amount which is payable between them in that currency.

The obligations which were netted or aggregated to produce the single net amounts with respect to each of the House Clearing Account or the Client Clearing Account are discharged by their payment.

Payments with respect to House Positions are not to be aggregated or netted with any payments with respect to Client Positions. Nothing in this paragraph limits or restricts the operation of the Default Management Process.

**[Explanatory Note:** *The amendments to OTC Rule 8.2 provide that:*

- *ASX Clear (Futures) may, on each Business Day, aggregate or net any or all payments due between it and an OTC Participant with respect to House Positions and Client Positions to produce a single net amount with respect to each; and*
- *payments with respect to House Positions are not to be aggregated or netted with any payments with respect to Client Positions (although this does not limit or restrict the operation of the Default Management Process).]*

### **8.3 Payments by ASX Clear (Futures)**

If a law requires ASX Clear (Futures) to withhold or deduct an amount in respect of taxes, levies, imposts, charges or duties (including stamp and transaction duties) imposed by any authority from a payment to an OTC Participant or to a Client, ASX Clear (Futures) will withhold or deduct the amount. ASX Clear (Futures) is not liable to pay any additional amount to the OTC Participant in respect of any such withholding or deduction.

**[Explanatory Note:** *New OTC Rule 8.3 provides ASX Clear (Futures) is not liable to pay any additional amount to an OTC Participant where ASX Clear (Futures) is required to withhold or deduct an amount in respect of taxes or similar from a payment to an OTC Participant or to a Client as detailed in this Rule.]*

### **8.4 Interest on overdue amounts**

If the OTC Participant does not pay any amount under the Futures Rules, these OTC Rules or the OTC Handbook on the due date for payment, the OTC Participant agrees to pay interest on that amount at a rate per annum equal to ASX Clear (Futures)' cost (without proof or evidence of any actual cost) to ASX Clear (Futures) (as certified by ASX Clear (Futures)) if ASX Clear (Futures) were to fund, or of funding, the relevant amount plus 2% (per annum). The interest accrues daily from (and including) the due date to (but excluding) the date on which ASX Clear (Futures) is paid the amount and is calculated on actual days elapsed and a year of 365 days.

The OTC Participant agrees to pay interest under this clause on demand from ASX Clear (Futures).

### **8.5 Discretion in exercising rights**

ASX Clear (Futures) may exercise a right or remedy or give or refuse its consent under these OTC Rules in any way it considers appropriate (including by imposing conditions).

Any exercise of discretion or other choice by ASX Clear (Futures) under these OTC Rules may be made in the absolute discretion of ASX Clear (Futures) unless these OTC Rules expressly state otherwise. However, ASX Clear (Futures) will exercise such rights and remedies in good faith having regard to the obligations, duties,

powers and discretions which it has as the holder of, or in connection with the holding of, an Australian CS facility licence under Part 7.3 of the Corporations Act.

The rights and remedies of ASX Clear (Futures) under these OTC Rules may be exercised even if ASX Clear (Futures) has a personal interest in their exercise.

## **8.6 Consents**

Each OTC Participant and, if applicable, CPM Client, agrees to comply with all conditions in any consent ASX Clear (Futures) gives in connection with these OTC Rules.

*[Explanatory Note: The amendment to OTC Rule 8.6 provides that, if applicable, each CPM Client agrees to comply with all conditions in any consent ASX Clear (Futures) gives in connection with these OTC Rules.]*

## **8.7 Partial exercising of rights**

If ASX Clear (Futures) does not exercise a right or remedy under these OTC Rules fully or at a given time, it may still exercise it later.

## **8.8 No liability for loss**

ASX Clear (Futures) is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy under these OTC Rules.

## **8.9 Remedies cumulative**

The rights and remedies of ASX Clear (Futures) under these OTC Rules are in addition to other rights and remedies available under the Futures Rules or given by law independently of these OTC Rules.

## **8.10 When ASX Clear (Futures) taken to have performed its obligations**

Where an OTC Rule specifies a time by which a party to an OTC Open Contract must perform its obligations or exercise its rights under that OTC Open Contract (including with respect to OTC Daily Variation Margin), ASX Clear (Futures) will be taken to have complied with that OTC Rule if it performs its obligations or exercises its rights as soon as practicable after the time specified, unless the OTC Rule expressly provides that ASX Clear (Futures) must perform or exercise at or before the time specified.

## **8.11 OTC Participant to have e-mail**

An OTC Participant must acquire and maintain an operating e-mail system for the purposes of receiving notices under these OTC Rules.

## **8.12 Governing law**

These OTC Rules are to be interpreted in accordance with the laws of New South Wales.

## Schedule 1 – Relationship with Futures Rules

*This schedule sets out whether, for each Futures Rule, it is replaced by a specific OTC Rule or is varied or supplemented by a specific OTC Rule, and, if neither, whether it otherwise applies to OTC Clearing, or is not relevant to OTC Clearing.*

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
1.1		1.3		
1.2		1.14		
1.3		1.2		
1.4	1.11(k)			
1.5	1.13			
1.6		1.11(d)		
1.7		1.11(e)		
1.8				Not relevant
1.9				Not relevant
1.10			Applicable	
1.11			Applicable	
3.1.1			Applicable	
3.1.2			Applicable	
3.2.1		2.9		
3.2.2			Applicable	
3.2.3			Applicable	
3.3				Not relevant
3.4.1			Applicable	
3.4.2			Applicable	
4.1		2.2, 2.3		
4.2		2.4		
4.3				Not relevant
4.4		2.3		
4.5			Applicable	
4.6		2.6		
4.7		2.6		

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
4.7A		2.7		
4.7B		2.6		
4.8			Applicable	
4.9		2.8		
4.10		2.5, 2.7		
4.11			Applicable	
4.12			Applicable	
4.13			Applicable	
4.14 (except 4.14(ja) and (l))			Applicable	
4.14(ja) and (l)				Not relevant
4.15			Applicable	
5.1		3.2		
5.2			Applicable	
5.3			Applicable	
5.4			Applicable	
5.5			Applicable	
5.5A			Applicable	
5.6	3.2			
5.7			Applicable	
5.7A			Applicable	
5.8			Applicable	
5.9			Applicable	
5.10			Applicable	
5.11				Not relevant
6.1			Applicable	
6.2			Applicable	
6.3			Applicable	
7.1			Applicable	
7.2			Applicable	
7.3			Applicable	
7.4			Applicable	
7.5			Applicable	

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
7.6			Applicable	
7.7			Applicable	
7.8			Applicable	
7.9			Applicable	
7.10			Applicable	
8.1	3.2, 3.3			
8.2			Applicable	
8.3	3.3			
8.4	3.3			
8.5		3.3		
8.6			Applicable	
8.7			Applicable	
9.1		4.5(d)		
9.2			Applicable	
9.3			Applicable	
9.4			Applicable	
9.5				Not relevant
9.6			Applicable	
9.7			Applicable	
9A.1			Applicable	
9A.2			Applicable	
9A.3.8			Applicable	
10.9			Applicable	
10.11			Applicable	
10.12		2.13		
10.13			Applicable	
10.14			Applicable	
10.18			Applicable	
11.1			Applicable	
11.2			Applicable	
12.1			Applicable	
12.6			Applicable	
12B				Not relevant

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
13			Applicable	
14			Applicable	
15				Not relevant
16			Applicable	
17			Applicable	
18			Applicable	
19			Applicable	
20			Applicable	
30	4.1			
31.1	4.3			
31.2	4.5			
31.3	4.6			
31.4	4.2			
31.5(a)	4.4			
31.5(b)				Not relevant
31.6	4.2, 4.5			
31.7	4.7			
31.8			Applicable	
31A				Not relevant
32				Not relevant
33	4.14			
34		2.9		
35				Not relevant
36				Not relevant
37				Not relevant
40	5.1			
41.1			Applicable	
41.2			Applicable	
41.3			Applicable	
41.4			Applicable	
41.5			Applicable	
41.6			Applicable	
41.7			Applicable	



A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
41.8				Not relevant
41A				Not relevant
42			Applicable	
43.1	5.2, 5.3			
43.2	5.4			
43.3	5.4			
43.4	5.4			
43.5	5.5			
43A				Not relevant
44.1	5.7			
44.2	5.7			
44.3				Not relevant
44.4	5.7			
44.5			Applicable	
44.6			Applicable	
44.7			Applicable	
44.8			Applicable	
44A				Not relevant
45	5.6			
45A				Not relevant
46				Not relevant
47.1				Not relevant
47.2			Applicable	
47.3			Applicable	
47.4			Applicable	
48				Not relevant
49	5.10			
50				Not relevant
51				Not relevant
52				Not relevant
53				Not relevant
54				Not relevant
60				Not relevant

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
61				Not relevant
62				Not relevant
63				Not relevant
63A				Not relevant
64				Not relevant
70			Applicable	
71.1		6.3		
71.3		6.4		
72.1		6.6		
72.1A			Applicable	
72.2		6.6		
72.3		6.7		
72.4			Applicable	
73		6.7		
74			Applicable	
75			Applicable	
75A			Applicable	
76			Applicable	
80			Applicable	
81			Applicable	
82			Applicable	
90		8.1		
92.1		8.12		
92.2			Applicable	
92.3				Not relevant
93.1			Applicable	
93.2			Applicable	
93.3		8.5		
93.4		8.10		
93.5			Applicable	
93.6			Applicable	
93.7		8.7		
93.8		8.9		

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
94			Applicable	
95			Applicable	
96				Not relevant
97			Applicable	
99			Applicable	
101			Applicable	
102				Not relevant
103			Applicable	
104			Applicable	
105			Applicable	
106			Applicable	
107			Applicable	
110		1.2		
111			Applicable	
112			Applicable	
113			Applicable	
114	4.3			
115		2.16		
116			Applicable	
117			Applicable	
118			Applicable	
119			Applicable	
120			Applicable	
121			Applicable	
122			Applicable	
123			Applicable	
124			Applicable	
125			Applicable	

**[Explanatory Note:** The amendments to Schedule 1 reflect changes to the applicability of provisions, and the addition of others, to reflect the introduction of client clearing.]

## Schedule 2 – OTC Commitment

*This schedule sets out the manner of calculating the OTC Commitments.*

### 1 OTC Commitment

The OTC Commitment for each OTC Participant is comprised of:

- (a) a Fixed OTC Commitment as set out in paragraph 2 (Fixed OTC Commitment) below; and
- (b) a Variable OTC Commitment calculated in the manner set out in paragraph 3 (Variable OTC Commitment) below.

### 2 Fixed OTC Commitment

The Fixed OTC Commitment of each OTC Participant is five million dollars (\$5,000,000).

### 3 Variable OTC Commitment

#### 3.1 Variable OTC Commitment Calculations

The following are the calculations (and the terms relevant to them) which are to be performed by ASX Clear (Futures) in order to calculate the Variable OTC Commitment of each OTC Participant in respect of each Quarter:

Aggregate Daily Average Initial Margin: For a Calculation Period, the sum of the Daily Average Initial Margin for all OTC Participants for that Calculation Period:

- (a) *excluding* the Daily Average Initial Margin of any OTC Participant which is not to have a Variable OTC Commitment at the commencement of the Quarter related to that Calculation Period; and
- (b) *including* ASX Clear (Futures)' estimation of the Daily Average Initial Margin of each entity which will be an OTC Participant as at the commencement of the Quarter related to that Calculation Period.

Aggregate Fixed OTC Commitment: For a Calculation Period, is equal to the total Fixed OTC Commitment received by ASX Clear (Futures).

Aggregate OTC Commitment: One hundred million dollars (\$100,000,000).

Aggregate Variable OTC Commitment: For a Calculation Period, is equal to the greater of zero and:

- (a) the Aggregate OTC Commitment  
*minus*
- (b) the Aggregate Fixed OTC Commitment.

Calculation Period: In respect of a Quarter, the period:

- (a) from, and including, the 11<sup>th</sup> day of the final month of the Quarter which immediately preceded the immediately preceding Quarter;
- (b) to, and including, the 10<sup>th</sup> day of the final month of the immediately preceding Quarter.

Daily Average Initial Margin: For an OTC Participant in respect of a Calculation Period is equal to:

- (a) the sum of that OTC Participant's OTC Initial Margin (calculated as the aggregate OTC Initial Margin with respect to both the House Clearing Account and the Client Clearing Account) on each Business Day in that Calculation Period  
*divided by*
- (b) the number of Business Days in that Calculation Period.

Quarter: Each three month period:

- (a) starting on 1 March, 1 June, 1 September and 1 December of each year; and
- (b) ending on 30 May, 31 August, 30 November and 28 February (or 29 February in a leap year), respectively.

Rounding: Each OTC Variable Commitment will be rounded to the nearest multiple of ten thousand dollars on the basis that an amount of \$5,000 and above is rounded up and an amount of \$4,999.99 down provided that the rounding must ensure that ASX Clear (Futures) has exactly the Aggregate Variable OTC Commitment required.

Variable OTC Commitment: For an OTC Participant in respect of a Quarter is equal to:

- (a) the Aggregate Variable OTC Commitment  
*multiplied by*
  - (b) that OTC Participant's Variable OTC Commitment Proportion,
- each in respect of the relevant Calculation Period.

Variable OTC Commitment Proportion	For an OTC Participant in respect of a Calculation Period is equal to (expressed as a percentage):
	(a) the Daily Average Initial Margin of that OTC Participant
	<i>divided by</i>
	(b) the Aggregate Daily Average Initial Margin, each in respect of that Calculation Period.

**[Explanatory Note:** *The amendment to 3.1 amends the definition of Daily Average Initial Margin.*]

### 3.2 Timing of Variable OTC Commitment Calculations

The Variable OTC Commitment for each OTC Participant will be calculated by ASX Clear (Futures) so as to take effect from the first day of each Quarter (as of midnight on the last day of the immediately preceding Quarter).

ASX Clear (Futures) will notify each OTC Participant of its Variable OTC Commitment for a Quarter before the close of business of the seventeenth day of the final month of the previous Quarter (or, if that day is not a Business Day, the next following Business Day).

Each OTC Participant must complete any adjustments to its Variable OTC Commitment for a new Quarter before 10.30am (Sydney time) on the second last Business Day of the previous Quarter.

If an OTC Participant's Variable OTC Commitment ceases on a day other than the first day of a Quarter then it is at ASX Clear (Futures)' discretion as to the date when the OTC Variable OTC Commitments of all OTC Participants should be adjusted.

## 4 Transitional Arrangements

The calculations in this Schedule 2 are subject to the following transitional arrangements:

During the Transitional Period, the Variable OTC Commitment of each OTC Participant in respect of the Initial Period and each subsequent Quarter (including any OTC Participant that is admitted during such Initial Period or Quarter) will be equal to:

- (a) (where there are eight or fewer OTC Participants) \$7,500,000; or
- (b) (where there are more than eight OTC Participants) the amount calculated as follows (where N is the number of OTC Participants including any new OTC Participant):

$$[\$100,000,000 - (N \times \$5,000,000)] / N$$

If there are more than eight OTC Participants ASX Clear (Futures) will recalculate Variable OTC Commitments prior to the commencement of each Quarter and at the time at which a new OTC Participant is admitted.

*Note: The Fixed OTC Commitment of each OTC Participant will be \$5,000,000 in accordance with this Schedule 2.*

**Initial Period** means the period from the effective date of the OTC Rule amendments as notified to Clearing Participants to (but excluding) 1 September 2013.

**Transitional Period** means the period from the first day of the Initial Period to the end of the Quarter in which the first Trigger Event occurs.

**Trigger Event** means:

- (a) all of the following conditions are satisfied:
  - (i) there are eight or more OTC Participants;
  - (ii) the aggregate OTC Initial Margin is more than \$500,000,000; and
  - (iii) at least four OTC Participants have each contributed at least 15 per cent of the aggregate OTC Initial Margin;
- (b) all OTC Participants have agreed that the transitional arrangements should end; or
- (c) a competent regulatory authority has written to ASX Clear (Futures) requesting that the transitional arrangements end.

## 5 New OTC Participants

The calculation of the Variable OTC Commitment for an OTC Participant not previously included in the quarterly recalculation (referred to as **New OTC Participant**) will be estimated by ASX Clear (Futures). Any estimates by ASX Clear (Futures) will be final and not be open to dispute. ASX Clear (Futures) may take into account any of the factors included in clauses 10.1, 10.2, 10.3 and 10A of Schedule 10 of the Futures Rules, but is not required to do so nor limited to these factors. For the purposes of those clauses, 'New Clearing Participant' is taken to refer to a New OTC Participant, and 'Variable Commitment' is taken to refer to Variable OTC Commitment.

## Schedule 3 – Default Management Process

### 1 Default Management Groups

#### 1.1 Establishment of DMGs

ASX Clear (Futures) will establish a default management groups (each referred to as a **DMG**) in respect of each OTC Transaction Type for the purpose of advising and assisting ASX Clear (Futures) with respect to all DMG Matters (as defined below).

*[Explanatory Note: ASX Clear (Futures) will establish DMGs with respect to different OTC Transaction Types. ]*

#### 1.2 DMG Procedures

Each DMG is governed by the terms set out in the default management group procedures as scheduled to the OTC Handbook (referred to as the **DMG Procedures**) from time to time. The DMG Procedures as at a particular time form part of the OTC Handbook at that time.

#### 1.3 Participating DMG Member Institutions

ASX Clear (Futures) will inform each OTC Participant selected to participate in a DMG (referred to as a **Participating DMG Member Institutions**) at least three months before to the establishment of the relevant DMG. Participating DMG Members must comply with the duties and responsibilities set out in the OTC Rules and the DMG Procedures.

#### ~~1.4 Liquidation Groups~~

~~A DMG will be established with respect to one or more groups of OTC Open Contracts (and OTC Allocated Futures Contracts, if applicable) cleared pursuant to the OTC Rules and relating to one or more OTC Transaction Types, as determined by ASX Clear (Futures) (each referred to as a **Liquidation Group**).~~

*[Explanatory Note: the concept of Liquidation Group has now been replaced with Auction Pool, as further described in paragraph 4.3 below]*

#### 1.5 DMG Matters

ASX Clear (Futures) may choose to convene a meeting of one or more DMGs in any of the following circumstances:

- (a) upon the occurrence of a Default;
- (b) upon the occurrence of a Termination;
- (c) for OTC Default Simulations (as defined in Paragraph [64](#) (OTC Default Simulations) below); ~~or~~
- (d) to obtain advice on any of the following matters (referred to as **DMG Matters**) as thought appropriate by ASX Clear (Futures):



- (i) the Open Contracts which are to be Terminated Open Contracts and their respective Termination Times in accordance with OTC Rule 6.6 (Termination and Terminated Open Contracts);
- (ii) the establishment of DM Hedging Transactions in accordance with Paragraph 2 (DM Hedging Transactions), including the selection of the relevant counterparties and the relevant hedging terms and strategy, and the assistance in the execution of DM Hedging Transactions;
- (iii) the entry into of Independent DM Transactions pursuant to (and as defined under) Paragraph 3 (~~Establishment of OTC Open Contracts~~ Independent DM Transactions);
- (~~iii~~iv) the holding of one or more DM Auctions pursuant to (and as defined under) ~~Paragraph 3 (Establishment of OTC Open Contracts)~~ Paragraph 4 (DM Auctions), including the timing, the procedures and the terms and conditions of a DM Auction;
- (v) determining the Auction Pool Risk Weighting for each Auction Pool and the price at which a Bid (as defined in the DM Auction Procedures) in a particular DM Auction will be taken to be an Uneconomic Price in accordance with (and as defined under) Paragraph 4 (DM Auctions); and
- (vi) any further matters relating to the consequences and risks of a Default or Termination;or
- (e) to obtain advice related to default management in any other circumstances as considered appropriate by ASX Clear (Futures), including for the purposes described in DMG Paragraph 9.2 (Regular meetings) as set out in Schedule 3 of the OTC Handbook.

~~In any case, ASX Clear (Futures) will convene a DMG Meeting (in accordance with the OTC Handbook) of the DMG for the Liquidation Group applicable to each OTC Open Contract which is the subject of a Termination.~~

[Explanatory Note: the amendments to paragraph 1.5 clarify the matters on which ASX Clear (Futures) may consult the DMG. These have been expanded to include matters in connection with default management that may be outside a default situation]

## 1.6 Role of DMG

Each DMG will advise, assist and make proposals to ASX Clear (Futures) with respect to the relevant DMG Matters. ASX Clear (Futures) will at all times maintain the ultimate decision on whether and under what terms and conditions the DMG proposals are implemented or not.

## 1.7 DMG Members

The members of a DMG (referred to as the **DMG Members**) are appointed in accordance with the DMG Procedures. The DMG Members remain employees of their Participating DMG Member Institution (or of such Related Body Corporate of the Participating DMG Member, as applicable) and do not, by being a DMG Member, become employees, officers or representatives of ASX Clear (Futures).

Whenever a DMG Member assists ASX Clear (Futures) in the execution of DM Hedging Transactions or other legal declarations, such DMG Member will not have the rights of, or be deemed to be, an attorney or agent of ASX Clear (Futures).

Each OTC Participant accepts that:

- (a) representatives of Participating DMG Member Institutions serving on the DMG are doing so in order to assist ASX Clear (Futures) in ensuring the on-going integrity of the clearing facility;
- (b) representatives of Participating DMG Member Institutions serving on the DMG and their employers will have no liability for disinterested advice or actions, mandated or otherwise, that are undertaken as part of the default management process. However, nothing in this Paragraph 1.7 (DMG Members) will exclude the liability of such representatives and employers for any personal injury or death caused by their negligence or for any fraud or wilful default on the part of such representatives and employers;
- (c) representatives of Participating DMG Member Institutions serving on the DMG (each referred to as a **Protected Person**) will, to the extent legally possible, not have any fiduciary duties or other duties to protect third parties in relation to ASX Clear (Futures), any directors, managers or officers of it, the OTC Participants or any other person (each a **Non-protected Person**) by reason of such service as a DMG Member; and
- (d) to the extent that, for any reason, a Protected Person has any such duties and liabilities relating to its status as a DMG Member to a Non-protected Person, such Protected Person acting under the DMG Procedures will not be liable to such Non-protected Person for breach of any such duty if they relied in good faith on the DMG Procedures, the OTC Rules or the OTC Handbook.

[\[Explanatory Note: the amendments in paragraph 1.7 permit employees of Related Bodies Corporate of Participating DMG Member Institutions to be DMG Members for such institution\]](#)

## 1.8 ASX Clear (Futures) dealings with DMG

ASX Clear (Futures) agrees that, in exercising its rights and obligations in consulting with the DMG pursuant to the Default Management Provisions, it will use all reasonable commercial endeavours to agree a common position with the DMG, provided that nothing in the OTC Rules or the OTC Handbook will prevent ASX Clear (Futures) acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a CS facility licensee. If ASX Clear (Futures) does not follow the recommendations or advice of the DMG, ASX Clear (Futures) will provide a notice in writing to the DMG Chairman setting out its reasons for not following such recommendations or advice. ASX Clear (Futures) will not be required to provide such reasons or information relating to reasons where that information is commercially sensitive.

## 2 DM Hedging Transactions [and DM Hedging Transaction Costs](#)

At any time after ~~an~~ one or more OTC Participant Defaults, ASX Clear (Futures) may in its discretion enter into transactions in order to hedge the effects of the Termination of one or more OTC Open Contracts and other Terminable Open Contracts which has occurred or which may occur as a result of ~~the~~ an OTC

Participant's Default (each of these transactions are referred to as a **DM Hedging Transaction**).

DM Hedging Transactions may be of any OTC Transaction Type or class of Terminable Open Contract of a Defaulting OTC Participant. The costs and expenses incurred in connection with the entry into DM Hedging Transactions are referred to as **DM Hedging Transaction Costs**.

ASX Clear (Futures) may request one or more Participating DMG Members (as defined in the OTC Handbook) of a DMG to assist ASX Clear (Futures) in the execution of DM Hedging Transactions.

ASX Clear (Futures) will at all times maintain the ultimate decision on whether or not and under what terms and conditions a DM Hedging Transaction is executed ~~or not~~.

However, nothing in this Paragraph 2 (DM Hedging Transactions [and DM Hedging Transaction Costs](#)) restricts ASX Clear (Futures) entering into hedging or replacement transactions in the normal course of its business.

*[Explanatory Note: the amendments to this Paragraph 2 clarify that the default management processes can be applied concurrent to the Default of more than one OTC Participant]*

### ~~3~~ **Establishment of OTC Open Contracts**

#### ~~3.1~~ **Independent DM Transactions, ~~DM Auctions and DM Auction Transactions~~**

At any time after ~~the Termination Time (with respect to the relevant Defaulted one or more OTC Participant Defaults)~~, ASX Clear (Futures) may in its discretion, ~~do either or both of the following~~:

- ~~(a)~~ enter into independent trades to establish new OTC Open Contracts or other Open Contracts which ~~are~~, taken as a whole, are equivalent to all or some of the Terminated Open Contracts ~~which were subject to Termination (each an Independent DM Transaction) or and reciprocal to~~ DM Hedging Transactions, as deemed appropriate by ASX Clear (Futures) in consultation with the relevant DMG(s) (each an Independent DM Transaction); ~~and~~
- ~~(b)~~ ~~if it is deemed appropriate by ASX Clear (Futures) in consultation with the relevant DMG(s), conduct one or more auctions with respect to one or several Liquidation Groups (in whole or in part), as deemed appropriate by ASX Clear (Futures) in consultation with the relevant DMG(s) (each referred to as a DM Auction) to establish new OTC Open Contracts or other Open Contracts specified by ASX Clear (Futures) which are taken as a whole equivalent to all or some of the Terminated Open Contracts which were subject to Termination or reciprocal to DM Hedging Transactions (each a DM Auction Transaction).~~

However, before a DM Auction, ASX Clear (Futures) will enter into Independent DM Transactions against a recommendation of the relevant DMG(s) only if the entering into such trades does not result in an application of the Commitment of the OTC Participants other than the relevant Defaulted OTC Participant in accordance with Part 7 (Procedures on a Default) of the Futures Rules and if the terms and conditions of the resulting Open Contracts are fixed prior to entering into the respective trades.

ASX Clear (Futures) will not be entitled to Invoice Back or Force Allocate any Terminated Open Contracts.

*[Explanatory Note: the rights of ASX Clear (Futures) to hold DM Auctions are now established in new paragraph 4 below]*

## **4 DM Auctions**

### **4.13-2 DM Auctions and DM Auction Transactions**

If ASX Clear (Futures) (in consultation with the relevant DMG) determines that it is appropriate, then one or more auctions (each referred to as a **DM Auction**) is to be conducted to establish new OTC Open Contracts or other Open Contracts specified by ASX Clear (Futures) which, taken as a whole, are equivalent to all or some of the Terminated Open Contracts and/or DM Hedging Transactions (each is referred to as a **DM Auction Transaction**).

*[Explanatory Note: DM Auctions may be held following the Default of an OTC Participant. The DM Auction Transactions will establish new OTC Open Contracts or other Open Contracts which are equivalent to DM Hedging Transactions and the Terminated Open Contracts]*

### **4.2 DM Auction Procedures and Auction Units**

DM Auctions and all Bids made in respect of them are governed by the procedures set out in the default management auctions procedures, as set out in Schedule 4 (Default Management Auction Procedures) of the OTC Handbook (referred to as the **DM Auction Procedures**) from time to time.

### **4.3 Auction Pools and Auction Pool Weighting**

For the purpose of conducting DM Auctions, ASX Clear (Futures) (after consultation with the relevant DMGs) is to determine the groups of DM Auction Transactions which are to be the subject of separate DM Auctions (each referred to as an **Auction Pool**). ASX Clear (Futures) may include a single OTC Transaction Type in more than one Auction Pool and a single DM Auction Transaction may be split into multiple transactions by ASX Clear (Futures) with each transaction being included in a different Auction Pool as a separate DM Auction Transaction. DM Auction Transactions which related to Client Positions and House Positions, and which related to different Defaulted Clearing Participants, may be included in the same Auction Pool. Also, DM Auction Transactions denominated in different currencies may be included in the same Auction Pool.

If there is more than one Auction Pool then ASX Clear (Futures), in consultation with the relevant DMGs, is to calculate a risk weighting multiplier attributable to each Auction Pool (each an **Auction Pool Risk Weighting**). If there is only a single Auction Pool then the Auction Pool Risk Weighting of that Auction Pool is one. The Auction Pool Risk Weighting applicable to an Auction Pool is to be notified to each Mandatory OTC Participant in the DM Auction for such Auction Pool before the relevant DM Auction commences.

*[Explanatory Note: The portfolio of the Defaulted OTC Clearing Participant may be split into Auction Pools (which may consist of one or more OTC Transaction Types). A DM Auction will be held in respect of each Auction Pool.*

*If there is more than one Auction Pool, ASX Clear (Futures) will determine an Auction Pool Risk Weighting applicable to each Auction Pool which will be notified to each Mandatory OTC Participant for such DM Auction]*

#### 4.4 Auction Units

For the purpose of conducting DM Auctions ASX Clear (Futures) (after consultation with the relevant DMGs) is to determine if ~~DM Auctions will be conducted with regard to identically composed units of DM Auction Transactions of~~ each Auction Pool ~~Liquidation Group~~ is to be separated into homogenous units (each referred to as an **Auction Unit**). If no separation is to take place then the Auction Pool is taken to comprise a single Auction Unit. If there is more than one Auction Unit in an Auction Pool then each Auction Unit must be composed of identical components of DM Auction Transactions ~~(or, in consultation with the relevant DMG(s), parts of each Liquidation Group), as specified by ASX Clear (Futures) for each DM Auction after consultation with the relevant DMG(s) (each referred to as an Auction Unit).~~

*[Explanatory Note: the amendments to paragraph 4.4 clarify that each Auction Pool may be split into more than one Auction Unit. Each Auction Unit of an Auction Pool shall be identical.]*

#### 4.53-3 Mandatory OTC Participants

OTC Participants:

- (a) which are authorised to act as OTC Participants with respect to all DM Auction Transactions ~~that are OTC Open Contracts~~ comprised in the relevant Auction ~~Unit~~Pool that are to be OTC Open Contracts;
  - (b) having, or having access to, the necessary account structure to settle all DM Auction Transactions comprised in the relevant Auction ~~Unit~~Pool;
  - (c) which, at the time of default of the relevant Defaulted OTC Participant, have at least one OTC Open Contract of the same OTC Transaction Type(s) and currency as of the DM Auction Transactions comprised in each the relevant Auction Pool ~~Liquidation Group~~; and
  - (d) with respect to which no Default has occurred and is continuing,
- (each referred to as a **Mandatory OTC Participant**), must participate in each DM Auction corresponding to the relevant Auction Pool s in accordance with the DM Auction Procedures.

However, ASX Clear (Futures) may, in its sole discretion, waive the requirement that a Mandatory OTC Participant participate in a DM Auction related to such Mandatory OTC Participant, and in such circumstances the OTC Participant will not be a Mandatory OTC Participant in respect of such DM Auction.

*[Explanatory Note: the amendments to paragraph 4.5 reflect the insertion of the concept of an Auction Pool and removal of Liquidation Groups.]*

#### 4.6 Uneconomic Price

For each Auction Pool, ASX Clear (Futures), in consultation with the relevant DMG, will determine a price (referred to as the **Uneconomic Price**) at or beneath which a Bid in a particular DM Auction will be taken to be uneconomic. The Uneconomic Price for a DM Auction will not be disclosed prior to the Expiration Time of the DM Auction.

*[Explanatory Note: paragraph 4.6 provides that ASX Clear (Futures) will determine a price at which a Bid in each DM Auction will be deemed uneconomic. This is used to determine the order of application of OTC Commitments in accordance with the Juniorisation process below]*

## **54 Juniorisation**

### **5.1 Application**

This Paragraph 5 (Juniorisation) applies if ASX Clear (Futures) determines that, following the completion of all DM Auctions:

- (a) in accordance with Futures Rule 73 (Loss), it has suffered a Loss, and
- (b) the OTC Commitment of OTC Participants would be applied to meet that Loss in accordance with either Futures Rule 7.1(d) or (f); and
- (c) the Loss is not sufficient to require the application of the entire amount of OTC Commitment which is able to be applied in accordance with that Futures Rule 7.1 (d) or (f) (as applicable).

Otherwise, this Paragraph 5 (Juniorisation) does not apply.

[Explanatory Note: if, following the completion of all DM Auctions ASX Clear (Futures) suffers any Loss then the juniorisation procedures set out in this paragraph 5 will apply to apportion the OTC Commitment of OTC Participants utilised in accordance with Futures Rules 7.1(d) or (f)]

### **5.2 Weighted OTC Commitment Amount**

For each Auction Pool, ASX Clear (Futures) is to determine each Mandatory OTC Participant's **Weighted OTC Commitment Amount**. This is equal to:

- (a) the OTC Participant's OTC Commitment  
multiplied by
- (b) the Auction Pool Weighting for that Auction Pool.

For this purpose:

**Auction Pool Weighting** for an Auction Pool is:

- (a) the Risk Weighted IM Value for that Auction Pool  
divided by
- (b) the sum of the Risk Weighted IM Values for each Auction Pool.

**Risk Weighted IM Value** for an Auction Pool is the Auction Pool IM Value for that Auction Pool multiplied by the Auction Pool Risk Weighting for that Auction Pool.

**Auction Pool IM Value** is the value of Initial Margin allocated by ASX Clear (Futures) to that Auction Pool on the basis of the Terminated Open Contracts and DM Hedging Transactions comprised in such Auction Pool.

However, ASX Clear (Futures) is to adjust the Weighted OTC Commitment Amounts to take into account the re-weighting which it determines is required if any OTC Participant is a Mandatory OTC Participant for less than all of the Auction Pools.

[Explanatory Note: ASX Clear (Futures) will use the Auction Pool Risk Weighting for each Auction Pool to determine the proportion of each OTC Participant's OTC Commitment which will be ascribed to that Auction Pool.]

### **5.3 Priority Groups and Commitment Application Amounts**

In respect of each Auction Pool, ASX Clear (Futures) is to:

- (a) determine which Mandatory OTC Participants (referred to as the **Non-Contributing Participants**) have failed to submit a Bid for the DM Auction

corresponding to such Auction Pool which is greater than its Uneconomic Price, including those which have failed to submit any Bid;

- (b) rank all Mandatory OTC Participants (other than any Non-Contributing Participants) by the Bids which they submitted in the DM Auction corresponding to such Auction Pool in order of price from the highest price Bid to the lowest price Bid. In doing this:
  - (i) if a Mandatory OTC Participant submits multiple Bids in respect of a DM Auction, the lowest such Bid submitted by the Mandatory OTC Participant will be used by ASX Clear (Futures) in determining the OTC Participant's ranking for that DM Auction; and
  - (ii) if two or more identical Bids are received from separate Mandatory OTC Participants for the same DM Auction, for the purposes of ranking the Bids of such Mandatory OTC Participants in accordance with this paragraph 5 only, each of the OTC Participants will rank equally in respect of that DM Auction; and
- (c) in circumstances where there is only one Auction Pool, rank OTC Participants which were not Mandatory OTC Participants who submitted Bids in the DM Auction corresponding to such Auction Pool equally with the OTC Participant who submitted the highest Bid for that DM Auction.

ASX Clear (Futures) is to group the OTC Participants into **Priority Groups** using these rankings, from those who provided the highest Bids in DM Auctions to those who provided the lowest Bids in DM Auctions. Each Priority Group is comprised of the OTC Participants who have been allocated the same ranking by ASX Clear (Futures) with respect to an Auction Pool, provided that those OTC Participants that have been ranked equally in accordance with paragraph 5.3(b)(ii) above, will be grouped equally into multiple Priority Groups according to the number of Mandatory OTC Participants who submitted identical Bids for that DM Auction. As a result of this process, an OTC Participant may be included in multiple Priority Groups if it was required to have submitted Bids in multiple DM Auctions.

The order of the Priority Groups will start with the Priority Group comprised of those OTC Participants (other than the Non-Contributing Participants) who made the highest bids in each DM Auction and forming Priority Groups of the OTC Participants who made second ranking, third ranking and progressively lower ranking Bids in each DM Auction (so that there is a Priority Group comprised of the highest bidders in each DM Auction, a Priority Group comprised of the second highest bidders in each DM Auction and so on). Under the lowest such Priority Group is to rank a Priority Group consisting of the Non-Contributing Participants in the DM Auctions which is to rank behind all other Priority Groups.

However, if there is no OTC Participant participating in a particular DM Auction represented in a particular Priority Group (because, for example, there were less Bids made with respect to that DM Auction) then ASX Clear (Futures) may (in its sole discretion) change the Priority Group which does not contain a representative of that DM Auction. In doing so, ASX Clear (Futures):

- (A) must not change the overall order of the different Bids (from highest to lowest) made in respect of that DM Auction;
- (B) must not alter the ranking of an OTC Participant with respect to an Auction Pool so that the OTC Participant is ranked equally with the Non-Contributing Participants where it would otherwise be included in a higher ranking Priority Group; but

(C) subject to (B) above, may determine that any Priority Group is not to contain that DM Auction, provided that ASX Clear (Futures) may not exclude that DM Auction from the Priority Group consisting of the Non-Contributing Participants.

Using the rankings of Mandatory OTC Participants in Priority Groups, and the Weighted OTC Commitments of Mandatory OTC Participant's applicable to each Auction Pool, ASX Clear (Futures) is to determine the aggregate amount of the Weighted OTC Commitment of each Mandatory OTC Participant applicable to each Priority Group.

[Explanatory Note: Following a DM Auction, ASX Clear (Futures) will rank each of the Bids received for that order in order from highest to lowest. This action is replicated in respect of each DM Auction, before the Bids across all DM Auctions are grouped together in Priority Groups by ranking. The proportion of each OTC Participant's OTC Commitment attributed to each Auction Pool in accordance with paragraph 5.3 is then applied to each Priority Group to determine the amount of OTC Commitment which may be utilised for that Priority Group.]

#### **5.4 Application of Losses to OTC Commitment**

The OTC Commitments of OTC Participants are to be applied to meet a Loss in accordance with Futures Rule 7.1(d) or (f) in the order of the OTC Participants included in the lowest ranking Priority Group first, OTC Participants included in the second lowest ranking Priority Group second, then progressively upward to the OTC Participants in each higher ranking Priority Group, until the Loss has been met in full. The application of the OTC Commitments of the OTC Participants included in a Priority Group is to be made in proportion to, and up to the limit of, their respective aggregate Weighted OTC Commitments for that Priority Group. Once OTC Participants' aggregate Weighted OTC Commitments have been reached for a Priority Group then the OTC Commitments of the next highest ranking Priority Group is to be applied to the remaining Loss in the same way.

Schedule 5 (Juniorisation Worked Examples) of the OTC Handbook provides examples of how Losses of ASX Clear (Futures) are applied to the OTC Commitment of the OTC Participants in accordance with this paragraph 5.

[Explanatory Note: ASX Clear (Futures) will utilise the OTC Commitment of the OTC Participants in order of Priority Group, from lowest Bid received to highest Bid. Each Commitment Application Amount for each Priority Group will be utilised in full before applying the Commitment Application Amount for the next Priority Group unless all the Losses of ASX Clear (Futures) have been met, or all the Commitment Application Amounts for all Priority Groups has been utilised, as applicable.]

## **6 OTC Default Simulations**

ASX Clear (Futures) will arrange for at least one and no more than three default simulations per year to ensure the best practicable level of preparation for any Default of an OTC Participant (each referred to as an **OTC Default Simulation**). The OTC Participants will support ASX Clear (Futures) in carrying out any such OTC Default Simulation.

Upon request of ASX Clear (Futures), each OTC Participant will in the course of such OTC Default Simulations act as potential counterparty for a simulated DM Hedging Transaction and will support any simulated DM Auction, as further described in the DM Auction Procedures, with respect to the [Auction Pools](#) ~~Liquidation Groups~~ that such OTC Participant is active in.



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### **Information Regarding Default Management Process**

Whenever the default management process implemented by ASX Clear (Futures) in respect of a Defaulted OTC Participant, ASX Clear (Futures) will endeavour, in consultation with each relevant DMG, to keep OTC Participants reasonably informed of the progress of the default management process.

Nothing in this Paragraph ~~5-7~~ will require ASX Clear (Futures) to disclose information in respect of the default management process which, in the reasonable opinion of ASX Clear (Futures), may be subject to obligations of confidentiality, may constitute market sensitive data or is, in the opinion of ASX Clear (Futures), inappropriate for disclosure to OTC Participants.

**End of Section.**

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# ASX OTC Handbook

## 1 INTRODUCTION

### 1.1 ASX Clear (Futures) and OTC Handbook

This handbook sets out procedures, timings, contract terms and other details in connection with the clearing facility operated by ASX Clear Futures Pty Limited in respect of over-the-counter derivatives. This handbook is referred to as the **OTC Handbook** and ASX Clear (Futures) Pty Limited is referred to as **ASX Clear (Futures)**.

### 1.2 Futures Rules and OTC Rules

This handbook refers to the Operating Rules of ASX Clear (Futures) (which are referred to as the **Futures Rules**) and the ASX Clear OTC Operating Rules set out in the ASX OTC Rulebook (which are referred to as the **OTC Rules**).

However, the OTC Handbook does not form part of the OTC Rules or the Futures Rules. The OTC Rules prevail in the event of any inconsistency between those OTC Rules and this OTC Handbook.

### 1.3 Meanings of terms

Unless they are defined in this OTC Handbook, capitalised terms used in this OTC Handbook have the meaning which they have in the OTC Rules or, if they are not defined in the OTC Rules, in the Futures Rules.

### 1.4 Approved Trade Source Systems

The following are **Approved Trade Source Systems**:

- MarkitWire

If ASX Clear (Futures) approves additional Approved Trade Source Systems, it will notify OTC Participants.

ASX Clear (Futures) is not liable or responsible for any corruption or alteration of messages or loss of data which may take place within any Approved Trade Source System.

ASX Clear (Futures) makes no warranty (and accepts no liability) as to the effectiveness or performance or any other aspect or matter in connection with an Approved Trade Source System.

### 1.5 OTC Terms and OTC Transaction Types

The terms of OTC Open Contracts (referred to as **OTC Terms**) and the OTC Transaction Types are set out in Schedule 2 (OTC Terms).

### 1.6 Operating times and calendars

ASX Clear (Futures) will publish a circular detailing the days on which ASX Clear (Futures) will be open for business.

The OTC Clearing service will be operational during the following hours on a Business Day: 6:00am to 9:00pm Sydney time.

## 1.7 Interpretation

Unless the contrary intention appears, in this OTC Handbook:

- (a) a reference to a particular “Paragraph” is a reference to that paragraph in this OTC Handbook. Where practical, Paragraph numbering (and labelling) matches the relevant OTC Rule;
- (b) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (c) a reference to a document (including this OTC Handbook, the Futures Rules and the OTC Rules) includes any variation or replacement of it;
- (d) the word “law” includes common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) a reference to Australian dollars, AUD, dollars, \$ or A\$ is a reference to the lawful currency of Australia;
- (f) a reference to US dollars, USD or US\$ is a reference to the lawful currency of the United States of America;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) the word “person” includes an individual, a firm, a body corporate, an unincorporated association and an authority;
- (i) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) the words “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (k) a reference to the Corporations Act is a reference to the Corporations Act 2001 (Cwlth);
- (l) an expression in this OTC Handbook which deals with a matter dealt with in a provision of the Corporations Act has the same meaning that it has in that provision of the Corporations Act; and
- (m) in the interpretation of this OTC Handbook, a construction that would promote the purpose or object underlying this OTC Handbook (whether that purpose or object is expressly stated in this OTC Handbook or not) is to be preferred to a construction which would not promote that purpose or object.

## 1.8 Number

In this OTC Handbook, the singular includes the plural and the plural includes the singular.

## 1.9 Headings

Headings (including those in brackets at the beginning of paragraphs) in this OTC Handbook are for convenience only and do not affect the interpretation of this OTC Handbook.

## 2 PARTICIPATION AND GENERAL

### 2.4 Application to become an OTC Participant

An applicant intending to become an OTC Participant must lodge with ASX Clear (Futures) an ISDA Master Agreement between it and ASX Clear (Futures) which has been duly executed by it and in such form and substance as to be satisfactory to ASX Clear (Futures).

[Explanatory Note: each OTC Participant is required to enter into an ISDA Master Agreement with ASX Clear (Futures) for default management purposes only]

### ~~2.4 Application to be an OTC Participant~~

An applicant intending to become an OTC Participant must provide such legal opinions in respect of the enforceability of the OTC Rules, this OTC Handbook and, if necessary, the Futures Rules against it as ASX Clear (Futures) requires.

### 2.6 Fees and OTC Commitment

The fees applicable to becoming an OTC Participant are as published by ASX Clear (Futures) from time to time.

### 2.14 OTC Product Committees

An OTC Product Committee will be established if there are at least three (3) OTC Participants willing to participate in the committee.

The OTC Product Committee is established for the purpose of consulting with ASX Clear (Futures) on:

- (a) the types of OTC Transactions which are eligible for OTC Clearing;
- (b) material amendments to the OTC Terms; and
- (c) such other matters as ASX Clear (Futures) determines.

The procedures for the OTC Product Committee are set out in Schedule ~~5-7~~ (Procedures for the OTC Product Committee).

Proposals and recommendations of the OTC Product Committee will be disclosed to the Board. ASX Clear (Futures) does not have any obligation to accept any proposal or recommendation made by, or take any action proposed by, the OTC Product Committee. However, ASX Clear (Futures) will provide reasons to the OTC Product Committee if it chooses not to follow any proposal or recommendation of the OTC Product Committee prior to taking, or not taking, any action.

### 2.15 Access arrangements and trade authorisation

Access arrangements must:

- (a) comply with the OTC Participant's password security-user identification standards;
- (b) require the regular review of user privileges associated with a password including when the person using the password has a change of function within the OTC Participant (for example, from a front office to back office function); and
- (c) require a login and password to be allocated to an individual (not a team) and changed on a regular basis.

The form of Attestation is set out in Schedule ~~6-8~~ (Attestation).

## 2.16 Client Sub-Accounts

Without limiting the effect of Futures Rule 113.5, an OTC Participant will only request approval of a Client by ASX Clear (Futures) where the Client is a wholesale client (as defined under the Corporations Act) and is either incorporated in Australia, or carrying on business in Australia, or acting solely on behalf of an entity that is incorporated in Australia or carrying on business in Australia.

ASX Clear (Futures) will only approve a Client where it has the following data:

- (a) Client Name
- (b) Client LEI (or other identifier)
- (c) Client Address
- (d) Segregation Code (Omnibus or ICA)
- (e) Restrictions on Trading
- (f) Swapswire Participant ID

ASX reserves the right not to approve a Client where it is not satisfied that the holding of Open Positions in respect of Open Contracts in a Client Sub-Account with respect to the Client will not cause ASX Clear (Futures) to breach any law, regulatory requirement or official directive, ruling or determination of any jurisdiction.

## 3 COMMITMENTS AND FINANCIAL REQUIREMENTS

### 3.2 OTC Commitment

An OTC Participant must provide its OTC Commitment to ASX Clear (Futures) as an amount of money in Australian dollars.

## 4 REGISTRATION

### 4.3 Submission of OTC Transactions

The Approved Trade Source System will send details of the OTC Transaction to ASX Clear (Futures) once it has been bilaterally agreed.

Consent is taken to have been obtained from the OTC Participants with whom the OTC Open Contracts would be created when the relevant OTC Transaction is reported to ASX Clear (Futures) by an Approved Trade Source System.

ASX Clear (Futures) will process any such reported OTC Transaction without making any verification or investigation and, subject to the OTC Rules and the OTC Handbook, will register the OTC Transaction on the basis of the data provided to it by the Approved Trade Source System.

Upon an OTC Transaction being submitted to ASX Clear (Futures) for registration and the satisfaction of the conditions to registration set out in the OTC Rules, ASX Clear (Futures) will respond, after processing, with a message confirming the registration.



OTC Transactions submitted for registration that do not meet the product or other eligibility criteria prescribed from time to time by ASX Clear (Futures) or which contain invalid or incomplete message data will be rejected. If, at any time, ASX Clear (Futures) does not register a trade presented for registration it will send to the originating Approved Trade Source System notification of the rejection.

Submission for registration of OTC Transactions will only occur from 6:00am to 9:00pm (Sydney time) on each Business Day.

#### 4.5 Acceptance for registration

The following are applicable to acceptance of an OTC Transaction for registration:

(a) **Trade Date**

If the trade date of the OTC Transaction is more than two Business Days prior to the date of initial submission for registration of the OTC Transaction in a form that satisfies the OTC Eligibility Criteria then the OTC Transaction must be submitted for backloading in accordance with OTC Rule 4.12 (Backloading).

(b) **OTC Eligibility Criteria**

The OTC Eligibility Criteria are set out in Schedule 1 (OTC Eligibility Criteria).

(c) **Limit checks**

A risk-based limit check per trade will be conducted by ASX Clear (Futures) for each OTC Transaction submitted for registration.

If an OTC Transaction fails to pass the risk-based limit check then the OTC Participant may seek the approval of ASX Clear (Futures) to re-submit the OTC Transaction. ASX Clear (Futures) may choose whether or not to give such approval in its sole discretion and may impose such conditions as it thinks fit on granting any approval. If such approval is given then the OTC Transaction need not pass the risk-based limit check when re-submitted provided it satisfies all other conditions imposed by ASX Clear (Futures).

There is no limit check applicable to OTC Transactions submitted for backloading in accordance with OTC Rule 4.12 (Backloading).

(d) **Deferral of acceptance**

If ASX Clear (Futures) determines that the intraday calculation of the OTC Initial Margin and OTC Daily Variation Margin required from an OTC Participant is approaching the OTC Participant's exposure limit then it may defer the registration of an OTC Transaction to which that OTC Participant is, or is taken to be, a party.

This paragraph (d) does not apply to OTC Transactions submitted for backloading in accordance with OTC Rule 4.12 (Backloading).

(e) **Timing of registration of OTC Open Contracts**

If an OTC Transaction satisfies the conditions for registration in OTC Rule 4.5 (Acceptance for registration), then it is registered as an OTC Open Contract with effect from the time of receipt of the relevant submission by ASX Clear (Futures).

#### 4.6 Creation of OTC Open Contracts

OTC Open Contracts created by registration of an OTC Transaction are created on the applicable OTC Terms.

Payments of amounts due under an OTC Open Contract on the next scheduled payment date after the date on which registration of the relevant OTC Transaction has taken place are to be effected in accordance with the OTC Terms for the entire calculation period. This also applies if part of the calculation period has already elapsed at the day of registration. However, ASX Clear (Futures) may make a call for OTC Intra Day Margin in respect of an OTC Open Contract on the day of its registration.

Payments under the relevant OTC Transaction that were due on or before the day of registration will not be owed under the relevant OTC Open Contract and are not subject to OTC Clearing.

*[Procedure to be inserted on how an OTC Participant submits an OTC Open Contract for registration on behalf of a Client]*

#### **4.12 Backloading**

Following the agreement of particulars as required by OTC Rule 4.12 (Backloading) and submission of the OTC Transaction to be backloaded the backloaded transactions are taken to have been submitted for registration by ASX Clear (Futures).

However, registration of any backloaded transaction is subject to:

- (a) the absolute discretion of ASX Clear (Futures); and
- (b) the provision of any Margin that is required to be provided by the relevant OTC Participants in respect of the relevant backloaded transaction.

The prescribed number of Business Days is two.

#### **4.13 Re-bilateralisation**

All removal requests must be lodged and agreed by both OTC Participants through the Approved Trade Source System.

Removal requests will be processed as follows:

- (a) first, ASX Clear (Futures) will check that the conditions above are satisfied;
- (b) second, ASX Clear (Futures) will calculate the net Margin impact for each OTC Participant;
- (c) third, providing the net Margin impact is within ASX Clear (Futures)' approved limits for each OTC Participant, or ASX Clear (Futures) otherwise approves the removal, ASX Clear (Futures) will send an instruction to the Approved Trade Source System confirming the removal request is approved; and
- (d) fourth, the Approved Trade Source System will provide an updated Trade Status to the OTC Participants, confirming the removal.

Removal is to take effect from the time that such removal is approved by ASX Clear (Futures).

#### **4.14 Transfer of OTC Open Contracts**

Transfer of OTC Open Contracts can only be effected by OTC Participants by re-bilateralisation in accordance with OTC Rule 4.13 (Re-bilateralisation) and submission of a new OTC Transaction for registration in accordance with OTC Rule 4.3 (Submission of OTC Transactions).

#### **4.15 OTC Portfolio Compression**

The following are requirements for portfolio compression with respect to an OTC Transaction Type:

- (a) the OTC Product Committee relating to such OTC Transaction Type votes to execute a portfolio compression cycle not less than two months prior to the scheduled execution date of such compression cycle; and
- (b) the selected portfolio compression service provider for such OTC Transaction Type can facilitate the portfolio compression requirements of the OTC Product Committee.

The proceedings for any compression cycle will be notified by ASX Clear (Futures), following consultation with the OTC Product Committee.

#### **4.16 Netting of OTC Open Contracts**

The conditions for the netting of OTC Open Contracts in the same Client Sub-Account which have equal but offsetting terms (except for the nominal amount) are:

- (a) the OTC Open Contracts must not have matured;
- (b) there must be no cash flows (e.g. coupon settlement) under the OTC Open Contracts due on the day of netting;
- (c) the OTC Participant must have the opposite contractual position under the OTC Open Contracts to be netted; and
- (d) the parties to the OTC Open Contracts must be identical.

No OTC Open Contract registered in the House Clearing Account of an OTC Participant may be netted against an OTC Open Contract registered in the Client Clearing Account of that OTC Participant.

If two or more OTC Open Contracts are netted:

- (e) the rights and obligations under each OTC Open Contract are, as far as possible, to be set-off against each other;
- (f) all remaining rights and obligations following such set-off are to comprise a single OTC Open Contract reflecting the net economic terms of such netted OTC Open Contracts; and
- (g) ASX Clear (Futures) shall determine the resulting notional amount of the OTC Open Contract (if any) that replaces the netted OTC Open Contracts, and such determination shall be binding on the OTC Participant, absent manifest error.

*[Other detailed procedures to be provided.]*

## **5 ACCOUNTS AND MARGIN**

### **5.2 Transfer of OTC Initial Margin**

The currencies, valuation haircuts and timing for providing OTC Initial Margin as an amount of money are set out below.

Currency	Valuation Haircut <sup>1</sup>		Payment Timing
AUD	6%	The Valuation Haircut is not applicable if the currency is the same as that in which the OTC Open Contract is denominated	<ul style="list-style-type: none"> <li>Payment by 9am on S<sup>2</sup></li> </ul>
NZD	6%		
EUR	11%		
JPY	13%		
USD	10%		
GBP	8%		

Subject to approval and on such conditions as ASX Clear (Futures) may determine from time to time, the following cover may be provided in respect of stress test induced additional Initial Margins (AIMs):

Approved Cover	Cover Requirement	Valuation Haircut <sup>3</sup>	Lodgement Process and Timing <sup>4</sup>
AUD Cash	Nil	N/A	<ul style="list-style-type: none"> <li>Lodgement notification by 9am on S<sup>5</sup></li> </ul>

### 5.3 Securities as OTC Initial Margin

Subject to approval and on such conditions as ASX Clear (Futures) may determine from time to time, the following may be provided in respect of OTC Initial Margin:

Approved Cover	Cover Requirement	Valuation Haircut <sup>6</sup>	Lodgement Process and Timing
AUD Treasury Notes	<ul style="list-style-type: none"> <li>Minimum maturity: 2 weeks</li> <li>Minimum holding<sup>7</sup>: \$500,000</li> <li>Fixed rate bond issuance only, but excluding Capital Indexed or Inflation indexed bonds, or any other specific series that ASX may exclude</li> </ul>	2%	<ul style="list-style-type: none"> <li>Lodgement notification by 4pm on S-1</li> <li>Exigo transaction by 9am on S</li> </ul>
AUD Treasury Bonds <sup>8</sup>	<ul style="list-style-type: none"> <li>Minimum maturity: 6 months</li> <li>Minimum holding: \$500,000</li> </ul>	<ul style="list-style-type: none"> <li>Maturity less than 3 years: 2%</li> <li>Maturity greater than 3 years: 6%</li> </ul>	<ul style="list-style-type: none"> <li>Lodgement notification by 4pm on S-1</li> <li>Exigo transaction by 9am on S</li> </ul>
US Treasury Bills	<ul style="list-style-type: none"> <li>Minimum maturity: 2 weeks</li> <li>Minimum holding: US\$500,000</li> <li>Minimum transaction: US\$500,000</li> </ul>	1%	<ul style="list-style-type: none"> <li>Lodgement notification by 4pm on S-1</li> <li>Exigo transaction by 9am on S</li> </ul>

<sup>1</sup> Valuation haircuts are deducted from the market value of the instrument, as defined by ASX Clear (Futures), in all cases.

<sup>2</sup> The settlement day.

<sup>3</sup> Valuation haircuts are deducted from the market value of the instrument, as defined by ASX Clear (Futures), in all cases;

<sup>4</sup> Clearing Participants are referred to SFE Notice 052/08 for arrangements for replacing cash with non cash collateral;

<sup>5</sup> Settlement day;

<sup>6</sup> Valuation haircuts are deducted from the market value of the instrument, as defined by ASX Clear (Futures), in all cases;

<sup>7</sup> Minimum holding and transaction values apply to face value lodgements of a single expiry in the instrument;

<sup>8</sup> Treasury Index Bonds are not accepted.

Subject to approval and on such conditions as ASX Clear (Futures) may determine from time to time, the following cover may be provided in respect of stress test induced additional Initial Margins (AIMs):

Approved Cover	Cover Requirement	Valuation Haircut <sup>9</sup>	Lodgement Process and Timing <sup>10</sup>
AUD Treasury Bonds <sup>11</sup>	<ul style="list-style-type: none"> <li>• Minimum maturity: 6 months</li> <li>• Minimum holding<sup>12</sup>: AU\$500,000</li> </ul>	<ul style="list-style-type: none"> <li>• Maturity less than 3 Years: 2%</li> <li>• Maturity greater than 3 Years: 6%</li> </ul>	<ul style="list-style-type: none"> <li>• Lodgement notification by 4pm on S-1</li> <li>• Exigo transaction by 9am on S</li> </ul>
Bank Bills/NCDs	<ul style="list-style-type: none"> <li>• Issuer: Authorised Deposit-taking Institution (banks only)<sup>13</sup></li> <li>• No Clearing Participant issued or parent/associated entity issued</li> <li>• Issuer rating: S&amp;P short term credit rating of A-1+</li> <li>• Minimum maturity: 2 weeks</li> <li>• Maximum maturity: 1 year</li> <li>• Minimum transaction: AU\$50,000,000</li> <li>• Subject to issuer limits</li> </ul>	2%	<ul style="list-style-type: none"> <li>• Lodgement notification by 4pm on S-1</li> <li>• Exigo transaction by 9am on S</li> </ul>

## 5.5 Portfolio Margining

Upon request, ASX Clear (Futures) may take into account certain Open Contracts (other than OTC Open Contracts) that are held in an Individual Sub-Account of the same CPM Client (referred to as **Eligible Open Contracts**) in determining the amount of OTC Initial Margin required to be transferred by an OTC Participant in respect of OTC Open Contracts held in the same Clearing Account, subject to the following:

- (a) the timing of allocations of Eligible Open Contracts for this purpose is as determined by ASX Clear (Futures) from time to time and is not affected by, nor does it affect, the timing of allocations to Clearing Accounts. Allocations in the relevant Clearing Accounts are complete by 7:00PM on a daily basis;
- (b) ASX Clear (Futures) will notify OTC Participants of any determinations with respect to Eligible Open Contracts; and
- (c) despite clause (b) above, ASX Clear (Futures) may determine that a particular Eligible Open Contract is ineligible for determining the amount of OTC Initial Margin required to be transferred, the Clearing Participant will be notified of the exception by a report. In addition, each Eligible Open

<sup>9</sup> Valuation haircuts are deducted from the market value of the instrument, as defined by ASX Clear (Futures), in all cases;

<sup>10</sup> Clearing Participants are referred to SFE Notice 052/08 for arrangements for replacing cash with non cash collateral;

<sup>11</sup> Treasury Index Bonds are not accepted;

<sup>12</sup> Minimum holding and transaction values apply to face value lodgements of a single expiry in the instrument;

<sup>13</sup> Authorised Deposit Taking Institution within the meaning of Section 5 of the Banking Act 1959 (Cwth) which is in a class of Australian-owned banks, foreign subsidiary banks or branches of foreign banks as published from time to time by the Australian Prudential Regulation Authority pursuant to Section 9C of the Banking Act 1959 (Cwth).

Contract deemed ineligible by ASX Clear (Futures) will be margined under the CME SPAN methodology for ASX Clear (Futures).

Eligible Open Contracts are as follows:

Eligible Futures Contract Code	Contract Name
IB	ASX 30 Day Interbank Cash Rate Futures
IR	ASX 90 Day Bank Accepted Bill Futures
YT	ASX 3 Year Treasury Bond Futures
XT	ASX 10 Year Treasury Bond Futures

## 5.6 OTC Intra day Margin and OTC Extra Margin

ASX Clear (Futures) is entitled to make additional margin calls for payment on the same day whenever ASX Clear (Futures) considers it necessary. Such calls may be made at any time during normal ASX operating times for cash settlement on a Business Day. Each OTC Intra day Margin call must be met by the OTC Participant within two hours of it being made.

If ASX Clear (Futures) determines that the aggregate value of the OTC Initial Margin actually delivered to ASX Clear (Futures) by an OTC Participant is insufficient to provide the cover required in order to fulfil their total margin requirement also taking into account all OTC Transactions which are expected to be registered during the course of the day, ASX Clear (Futures) may require the OTC Participant to provide additional OTC Initial Margin.

## 5.7 OTC Daily Closing Value

ASX Clear (Futures) will in general use its own determination of yield curves to calculate the net present value of each OTC Open Contract. This calculation will be conducted at least once on each Business Day in the determination of the OTC Daily Closing Value.

ASX Clear (Futures) will determine, at its sole discretion, appropriate instruments, maturity points and market prices required for the determination of zero coupon rates, discount factors and implied forward curves rates, as well as any other factors it deems necessary to produce a net present value for any OTC Open Contract or OTC Daily Closing Value.

The yield curves selected will use market prices and rates taken at a point in time determined by ASX at its discretion to reflect local market fair value to OTC Participants.

These calculations by ASX Clear (Futures) are conclusive and final.

## 5.8 OTC Daily Variation Margin

ASX Clear (Futures) will determine the OTC Daily Variation Margin in respect of OTC Open Contracts of an OTC Participant following the calculation of the OTC Daily Closing Values for those OTC Open Contracts. The OTC Daily Variation Margin is determined by reference to the change in the OTC Daily Closing Value of the OTC Open Contract since the previous Business Day.

All OTC Daily Variation Margin must be paid to ASX Clear (Futures) by 11:00am (Sydney time) on the Business Day following ASX Clear (Futures)' request for the OTC Daily Variation Margin. In addition, instructions for the payment of OTC Daily Variation Margin must be matched in Austraclear by 10:30am (Sydney time). All payments by ASX Clear (Futures) in connection with OTC Daily Variation Margin

(including any Price Alignment Interest) are to be made to accounts located in Australia, unless otherwise agreed by ASX Clear (Futures).

Unless otherwise agreed by ASX Clear (Futures):

- (a) each OTC Participant and each Client (where acting for itself as principal) which is a non-Australian resident for tax purposes represents and warrants that each payment received or to be received by it in connection with OTC Daily Variation Margin (including any Price Alignment Interest) will be effectively connected with its conduct of a trade or business in Australia carried on at or through a permanent establishment in Australia; and
- (b) each OTC Participant and each Client (where acting for itself as principal) which is an Australian resident for tax purposes represents and warrants that it does not derive the payments in connection with OTC Daily Variation Margin (including any Price Alignment Interest) in part or in whole in carrying on business in a country outside Australia at or through a permanent establishment of itself in that country; and
- (c) each Client (where acting as agent, or otherwise in a representative capacity on behalf of, or in respect of, another entity or entities), represents and warrants that, in each case:
  - (i) where the other entity is a non-Australian resident for tax purposes, that the other entity derives each payment in connection with OTC Daily Variation Margin (including any Price Alignment Interest) through its conduct of a trade or business in Australia carried on at or through a permanent establishment in Australia; and
  - (ii) where the other entity is an Australian resident for tax purposes, that the other entity does not derive the payments in connection with OTC Daily Variation Margin (including any Price Alignment Interest) in part or in whole in carrying on business in a country outside Australia at or through a permanent establishment of itself in that country,

and this applies despite the location of any branch of any OTC Participant or any OTC Participant Related Entity or Client through which any particular OTC Transaction is entered into. References in this Paragraph 5.8 to the capacity in which a Client is acting do not limit Futures Rule 113.5.

## 5.9 Price Alignment Interest

ASX Clear (Futures) will charge interest on the cumulative net OTC Daily Variation Margin in respect of all OTC Open Contracts (referred to as **Cumulative Variation Margin**) paid to an OTC Participant and pay interest on Cumulative Variation Margin received from that OTC Participant. The amount of interest (PAI) is calculated and payable for each currency on each Business Day with respect to each OTC Open Contract in accordance with the following formula:

$$PAI = MtM_T \times Rate_T \times D/365$$

where:

"**MtM<sub>T</sub>**" means the amount of Cumulative Variation Margin received from, or payable by, the OTC Participant, as applicable, on the close of business of the day of calculation.

"**Rate<sub>T</sub>**" means such rate published on Reuters page RBA30 (or such other successor page(s) or rates as published by the Reserve Bank of Australia) and

determined by ASX Clear (Futures) on the close of business of the day of calculation.

“D” means the actual number of days from (but excluding) the last day on which the PAI is calculated to (and including) the day of calculation.

## 6 **DEFAULT**

### 6.8 Allocation of Loss following default management process

Schedule 6 to this Handbook sets out a worked example of how Losses are allocated following the default management process.

DRAFT



# Schedule 1 – OTC Eligibility Criteria

An OTC Transaction is eligible to be registered by ASX Clear (Futures) if it satisfies the eligibility criteria contained in this schedule. However, there are other conditions in the OTC Rules and this OTC Handbook for the registration of an OTC Transaction which also apply, including that an OTC Participant is, or is taken to be (in accordance with the OTC Rules), a party to the OTC Transaction, and that the required matched information in respect of that OTC Transaction has been submitted to and accepted by ASX Clear (Futures).

The eligibility criteria for an OTC Transaction are set out in this schedule separately with respect to each Approved Trade Source System through which the OTC Transaction may be submitted.

## 1 Introduction

This schedule defines the base clearing and trade eligibility rules and associated criteria that are to be applied within MarkitWire to OTC Transactions submitted by OTC Participants for OTC Clearing.

Terms defined in the OTC Rules, OTC Handbook, Futures Rules, MarkitWire to ASX Clearing Eligibility Specification and the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. as amended, varied or supplemented from time to time<sup>14</sup>, have the same meaning when used in this schedule.

The rules set out in this schedule constitute the “OTC Eligibility Criteria” applicable to an OTC Transaction which is submitted using MarkitWire as the Approved Trade Source System.

The rules outlined in this schedule do not include any additional rules or criteria that may be specified for or by individual MarkitWire participants, or subsequently added into MarkitWire’s clearing eligibility rules framework.

For technical reasons these trade eligibility rules and criteria may also be applied independently of the MarkitWire trade affirmation platform. These are shown in Appendix B.

## 2 Global Eligibility Rules

The rules in this section 2 (Global Eligibility Rules) apply to all OTC Transactions regardless of OTC Transaction Type.

### 2.1 Eligible OTC Transactions

The OTC Transaction must be a Product Type which is currently eligible for OTC Clearing. Currently the following Product Types are eligible for OTC Clearing:

- IRS
- OIS
- Single Currency Basis Swap

<sup>14</sup> <http://www.isda.org/publications/isda2000def-annex-sup.aspx#2006defs>

## 2.2 Product Type and Status

An OTC Transaction with one of the following Contract States in MarkitWire cannot be cleared:

- Cancelled
- Clearing (by definition it's already within the clearing process)
- Novated
- Allocated
- Prime Brokered

In addition the following rules regarding the Product Type will be applied:

- A Single Sided MarkitWire trade cannot be cleared (identified by the Manual Confirm checkbox on the Processing template page being ticked).
- An internal trade (defined as one where both parties have the same BIC) cannot be cleared.
- A trade with the Exclude from Clearing checkbox ticked cannot be cleared.
- A trade with a step-up/down Notional Amount, fixed rate or spread schedule cannot be cleared.
- An allocation block trade cannot be cleared (identified by the Allocated checkbox on the Allocation template page being ticked).

## 2.3 Modification Effective Date and Novation Date

The following fields are not required when OTC Transactions are entered directly into Markitwire by both OTC Participants (for the purpose of being cleared via the OTC Clearing service). As such, these fields can be disregarded when submitting OTC Transactions via the OTC Clearing service:

- Modification Effective Date
- Novation Date

## 3 IRS Specific Eligibility Rules

### 3.1 OTC Transaction Types

Vanilla Interest Rate Swap – fixed rate leg versus floating rate leg.

### 3.2 Structure

Single Currency

### 3.3 Currencies and Floating Rate Indices

The following Currencies and Floating Rate Indices are supported for OTC Clearing through ASX Clear (Futures):

Currency	Floating Rate Index
AUD	AUD-BBR-BBSW

### 3.4 Designated Maturity

The Designated Maturity of the OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW must be 3 or 6 months.

### 3.5 Day Count Fraction

The Day Count Fraction of the OTC Transaction must be one of those specified in the following table:

Currency	Day Count Fraction	Markit Wire/FpML Code
AUD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ISDA	ACT/ACT.ISDA
	Actual/Actual.ICMA	ACT/ACT.ICMA

### 3.6 Minimum Term

An OTC Transaction must have a Term of at least 89 calendar days.

### 3.7 Minimum Residual Term

An OTC Transaction must have a Minimum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including the Termination Date) greater than or equal to 3 Sydney Business Days.

### 3.8 Maximum Residual Term

An OTC Transaction must have a Maximum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including the Termination Date) as specified in the following table in respect of the Currency, Designated Maturity and Floating Rate Index.

Currency	Floating Rate Index	Designated Maturity	Maximum Residual Term
AUD	AUD-BBR-BBSW	6 months	Less than or equal to 11,342 calendar days
		3 months	Less than or equal to 1,122 calendar days

### 3.9 Fixing Days Offset and Fixing Holiday Centres

An OTC Transaction must have only the following Fixing Days Offset and Fixing Holiday Centres for a given Floating Rate Index to be eligible for OTC Clearing:

Floating Rate Index	Fixing Days Offset	Fixing Holiday Centre
AUD-BBR-BBSW	0	AUSY

### 3.10 Minimum First Fixing Rate

An OTC Transaction with a specified First Fixing Rate for a Floating Rate Index of less than or equal to zero percent cannot be cleared. An OTC Transaction where the First Fixing Rate is not specified is eligible for OTC Clearing.

### **3.11 Different First Fixing Rule**

Where a Different First Fixing Rule is specified in MarkitWire as being applicable to an OTC Transaction, the following conditions must be satisfied for the OTC Transaction to be eligible for OTC Clearing:

- The First Fixing Days Offset must be between 0 and –10 days inclusive, as adjusted in accordance with the applicable Business Day Convention.
- The First Fixing Holiday Centres must be recognised by ASX Clear (Futures) (see Appendix A) and must, at a minimum, include the Fixing Holiday Centres specified in Section 3.9.

### **3.12 Ineligible Floating Rate Indices**

An OTC Transaction with a Floating Rate Index not listed as supported under Sections 3.3, 4.3 or 5.3 cannot be cleared.

### **3.13 Non-Mutual Optional Early Termination**

An OTC Transaction with Optional Early Termination that is not a mutual put (identified by the field labelled 'Option' on the Break (2) IRS template page containing either the value 'Optional – Unilateral My Option' or 'Optional – Unilateral Other Party Option') cannot be cleared.

### **3.14 Mandatory Early Termination**

An OTC Transaction with Mandatory Early Termination (identified by the field labelled 'Option' on the Break (2) IRS template page containing the value 'Mandatory') cannot be cleared.

### **3.15 Period End Date Adjustments**

An OTC Transaction with an unadjusted Termination Date (identified by either of the "Adj Final (Fixed)" or "Adj Final (Float)" checkboxes on the Holidays IRS template page being un-ticked) cannot be cleared.

An OTC Transaction with no adjustment to the Period End Dates (identified by either of the "Adjust Fixed Period End Dates" or "Adjust Float Period End Dates" checkboxes on the Holidays IRS template page being un-ticked) cannot be cleared, unless such a setting is not facilitated by MarkitWire.

An OTC Transaction with an "Accrual Period Adjustment" type that is not set to the same value for both legs cannot be cleared.

### **3.16 Payment Lag**

An OTC Transaction with Payment Lag of more than 2 Business Days cannot be cleared.

### **3.17 Principal Currency Holiday Centres**

An OTC Transaction denominated in any supported Currency shown below and which does not specify the associated holiday centre(s) for purposes of determining Business Days for payments and interest calculations cannot be cleared. In addition, any or all of the ASX Supported Holiday Centres listed in Appendix A may also be specified.

Currency	Holiday Centre	Markit Wire/FpML Code
AUD	Sydney	AUSY

### 3.18 Business Day Convention

An OTC Transaction that does not specify one of following Business Day Conventions cannot be cleared:

Business Day Convention	Markit Wire/FpML Code
Modified Following	MODF
Following	FOLL
Preceding	PREC

An OTC Transaction must apply a single Business Day Convention to each of: the Fixed Rate Payer Payment Dates, the Fixed Rate Payer Period End Dates, the Floating Rate Payer Payment Dates, the Floating Rate Payer Period End Dates, the Floating Rate Payer compounding dates, and the Termination Date.

### 3.19 Minimum Notional

An OTC Transaction with a Notional of less than one currency unit cannot be cleared.

### 3.20 Payment and Roll Holiday Centres

An OTC Transaction where the Payment Holiday Centres and Roll Holiday Centres are not the same cannot be cleared. An OTC Transaction where the Payment Holiday Centres do not include the relevant principal holiday centre associated with the Currency cannot be cleared (see Section 3.17 for Principal Currency Holiday Centres).

An OTC Transaction where the Payment Holiday Centres include one or more centres not supported by ASX cannot be cleared (see Appendix A for ASX Supported Holiday Centres).

### 3.21 Fees (Additional Payments)

An OTC Transaction with more than two Additional Payments<sup>15</sup> cannot be cleared.

An OTC Transaction with an Additional Payment in a currency different to the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar does not include the principal holiday centre associated with the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar includes one or more centres not supported by ASX Clear (Futures) (as described in Appendix A) cannot be cleared.

An OTC Transaction which does not have the same holiday centres for Additional Payments, Payment Dates and roll dates cannot be cleared.

<sup>15</sup> An additional payment under the terms of this section means any payment not part of the normal coupon cycle.

An OTC Transaction which does not have the Business Day Convention on Additional Payments, set to Modified Following (MODF) cannot be cleared.

An OTC Transaction with an Additional Payment where the Payment Date is prior to the Effective Date or after the Termination Date cannot be cleared.

### 3.22 Fixed and Float Start Date

An OTC Transaction with different start dates for each of the Fixed Start Date and Float Start Date cannot be cleared.

### 3.23 Floating Leg Calculation

An OTC Transaction with Reset In Arrears specified cannot be cleared.

### 3.24 Zero Coupon IRS

To be eligible for OTC Clearing, an OTC Transaction with a fixed leg zero coupon structure (identified by the "Zero Coupon (Fixed)" checkbox on the IRS template page being ticked) must have a Maximum Residual Term of less than or equal to 1,122 calendar days.

### 3.25 Adjusted Fixed (or Float) Starts

An OTC Transaction with different value for both the Adjust Fixed Start Date and Adjust Float Start Date cannot be cleared.

### 3.26 Compounding Method

An OTC Transaction with a Compounding Method of 'Spread Exclusive' cannot be cleared.

### 3.27 Leg Compliance

An OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW which does not use one of the following Leg combinations cannot be cleared:

- Fixed/Float
- Float/Fixed

### 3.28 Payment Frequency

An OTC Transaction with which does not use one of the following Payment Frequencies cannot be cleared:

- Quarterly
- Semi-Annually
- Annually (Fixed Payment Frequency only)
- At maturity (Fixed Payment Frequency only)

### 3.29 Stubs

Non-standard Calculation Periods (referred to as **Stub Periods**) may only occur at the start or end of the OTC Transaction. An OTC Transaction with Stub Periods at both the start and end of the transaction cannot be cleared. An OTC Transaction with a Stub Period at the start of the OTC Transaction greater than or equal to 2 Calculation Periods cannot be cleared.

An OTC Transaction with a Stub Period at the end of the OTC Transaction exceeding 1 Calculation Period cannot be cleared.

Application of Linear Interpolation for Stub Periods is only permitted between acceptable Stub Interpolation Floating Rate Index Tenors (currently 1m, 2m, 3m, 4m, 5m, 6m). OTC Transactions with Stub Period lengths outside of this tenor range, may elect to use "First Fixing Rate" or a Floating Rate Index without interpolation to be eligible for OTC Clearing. An OTC Transaction with Linear Interpolation for Stub Period lengths of less than 1 month (or greater than 6m), cannot be cleared.

### 3.30 Eligible Start Dates

An OTC Transaction with a Start Date exceeding the submission date by more than 5 Business Days cannot be cleared.

An OTC Transaction which has a Start Date prior to the Trade Date cannot be cleared.

## 4 OIS Specific Eligibility Rules

### 4.1 OTC Transaction Types

Vanilla Interest Rate Swap – fixed rate leg versus floating rate leg.

### 4.2 Structure

Single Currency

### 4.3 Currencies and Floating Rate Indices

The following Currency and Floating Rate Indices are supported for OTC Clearing through ASX Clear (Futures):

Currency	Floating Rate Index
AUD	AUD-AONIA-OIS-COMPOUND

### 4.4 Designated Maturity

The Designated Maturity of the OTC Transaction with a Floating Rate Index of AUD-AONIA-OIS-COMPOUND, must be daily.

### 4.5 Day Count Fraction

The Day Count Fraction of the OTC Transaction must be one of those specified in the following table:

Currency	Day Count Fraction	Markit Wire/FpML Code
AUD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ISDA	ACT/ACT.ISDA
	Actual/Actual.ICMA	ACT/ACT.ICMA

#### 4.6 Minimum Term

An OTC Transaction must have a Term of at least 3 Sydney Business Days.

#### 4.7 Minimum Residual Term

An OTC Transaction must have a Minimum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including, the Termination Date) greater than or equal to 3 Sydney Business Days.

#### 4.8 Maximum Residual Term

An OTC Transaction must have a Maximum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including the Termination Date) as specified in the following table in respect of the Currency and Floating Rate Index:

Currency	Floating Rate Index	Maximum Remaining Term
AUD	AUD-AONIA-OIS-COMPOUND	Less than or equal to 1,122 calendar days

#### 4.9 Fixing Days Offset and Fixing Holiday Centres

An OTC Transaction must have only the following Fixing Days Offset and Fixing Holiday Centres for a given Floating Rate Index to be eligible for OTC Clearing:

Floating Rate Index	Fixing Days Offset	Fixing Holiday Centre
AUD-AONIA-OIS-COMPOUND	0	AUSY

#### 4.10 Minimum First Fixing Rate

An OTC Transaction with a specified First Fixing Rate for a Floating Rate Index less than or equal to zero percent cannot be cleared. An OTC Transaction where the First Fixing Rate is not specified is eligible for OTC Clearing.

#### 4.11 Ineligible Floating Rate Indices

An OTC Transaction with a Floating Rate Index not listed as supported under Sections 3.3, 4.3 or 5.3 cannot be cleared.

#### 4.12 Non-Mutual Optional Early Termination

An OTC Transaction with Optional Early Termination that is not a mutual put (identified by the field labelled 'Option' on the Break (2) OIS template page containing either the value 'Optional – Unilateral My Option' or 'Optional – Unilateral Other Party Option') cannot be cleared.

#### 4.13 Mandatory Early Termination

An OTC Transaction with Mandatory Early Termination (identified by the field labelled 'Option' on the Break (2) OIS template page containing the value 'Mandatory') cannot be cleared.



#### 4.14 Period End Date Adjustments

An OTC Transaction with an unadjusted Termination Date (identified by either of the “Adj Final (Fixed)” or “Adj Final (Float)” checkboxes on the Holidays OIS template page being un-ticked) cannot be cleared.

An OTC Transaction with no adjustment to the Period End Dates (identified by either of the “Adjust Fixed Period End Dates” or “Adjust Float Period End Dates” checkboxes on the Holidays OIS template page being un-ticked) cannot be cleared, unless such a setting is not facilitated by MarkitWire.

An OTC Transaction with an “Accrual Period Adjustment” type that is not set to the same value for both legs cannot be cleared.

#### 4.15 Payment Lag

An OTC Transaction with Payment Lag of more than 2 Business Days cannot be cleared.

#### 4.16 Principal Currency Holiday Centres

An OTC Transaction denominated in any supported Currency shown below and which does not specify the associated holiday centre(s) for purposes of determining Business Days for payments and interest calculations cannot be cleared. In addition, any or all of the ASX Supported Holiday Centres listed in Appendix A may also be specified.

Currency	Holiday Centre	Markit Wire/FpML Code
AUD	Sydney	AUSY

#### 4.17 Business Day Convention

An OTC Transaction that does not specify one of following Business Day Conventions cannot be cleared:

Business Day Convention	Markit Wire/FpML Code
Modified Following	MODF
Following	FOLL
Preceding	PREC

An OTC Transaction must apply a single Business Day Convention to each of: the Fixed Rate Payer Payment Dates, the Fixed Rate Payer Period End Dates, the Floating Rate Payer Payment Dates, the Floating Rate Payer Period End Dates, the Floating Rate Payer compounding dates, and the Termination Date.

#### 4.18 Minimum Notional

An OTC Transaction with a Notional of less than one currency unit cannot be cleared.

#### 4.19 Payment and Roll Holiday Centres

An OTC Transaction where the Payment Holiday Centres and Roll Holiday Centres are not the same cannot be cleared.

An OTC Transaction where the Payment Holiday Centres do not include the principal holiday centre associated with the Currency cannot be cleared (see Section 4.16 for Principal Currency Holiday Centres).

An OTC Transaction where the Payment Holiday Centres include one or more centres not recognised by ASX cannot be cleared (see Appendix A for ASX Supported Holiday Centres).

#### **4.20 Fees (Additional Payments)**

An OTC Transaction with more than two Additional Payments<sup>16</sup> cannot be cleared.

An OTC Transaction with an Additional Payment in a currency different to the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar does not include the principal holiday centre associated with the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar includes one or more centres not supported by ASX Clear (Futures) (as described in Appendix A) cannot be cleared.

An OTC Transaction which does not have the Business Day Convention on additional payments, set to Modified Following (MODF) cannot be cleared.

An OTC Transaction which does not have the same holiday centres for Additional Payments, Payment Dates and roll dates cannot be cleared.

An OTC Transaction with an Additional Payment where the Payment Date is prior to the Effective Date or after the Termination Date cannot be cleared.

#### **4.21 Fixed and Float Start Date**

An OTC Transaction with different start dates for each of the Fixed Start Date and the Float Start Date cannot be cleared.

#### **4.22 Zero Coupon OIS**

To be eligible for OTC Clearing, an OTC Transaction with a fixed leg or floating leg zero coupon structure must have a Maximum Residual Term of less than or equal to 366 calendar days.

#### **4.23 Adjusted Fixed (or Float) Starts**

An OTC Transaction with a different value for both the Adjust Fixed Start Date and Adjust Float Start Date cannot be cleared.

#### **4.24 Leg Compliance**

An OTC Transaction with a Floating Rate Option of AUD-AONIA-OIS-COMPOUND which does not use one of the following Leg combinations cannot be cleared:

- Fixed/Float
- Float/Fixed

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<sup>16</sup> An additional payment under the terms of this section means any payment not part of the normal coupon cycle.  
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#### 4.25 Payment Frequency

An OTC Transaction with which does not use one of the following Payment Frequencies cannot be cleared:

- Annually
- At maturity

#### 4.26 Stubs

Non-standard Calculation Periods (referred to as **Stub Periods**) may only occur at the start or end of the OTC Transaction. An OTC Transaction with Stub Periods at both the start and end of the transaction cannot be cleared.

An OTC Transaction with a Stub Period at the start of the OTC Transaction exceeding 366 Business Days cannot be cleared.

An OTC Transaction with a Stub Period at the end of the OTC Transaction exceeding 0 Business Days cannot be cleared.

#### 4.27 Eligible Start Dates

An OTC Transaction with a Start Date exceeding the submission date by more than 5 Business Days cannot be cleared.

An OTC Transaction which has a Start Date prior to the Trade Date cannot be cleared.

### 5 Basis-Swap Specific Eligibility Rules

#### 5.1 OTC Transaction Types

Vanilla Basis Swap – float rate leg versus floating rate leg within a single eligible currency.

#### 5.2 Structure

Single Currency

#### 5.3 Currencies and Floating Rate Indices

The following Currency and Floating Rate Indices are supported for OTC Clearing through ASX Clear (Futures):

Currency	Floating Rate Index
AUD	AUD-BBR-BBSW

#### 5.4 Designated Maturity

The Designated Maturity of the OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW must be 3 or 6 months.

#### 5.5 Day Count Fraction

The Day Count Fraction of the OTC Transaction must be one of those specified in the following table:

Currency	Day Count Fraction	Markit Wire/FpML Code
AUD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ISDA	ACT/ACT.ISDA
	Actual/Actual.ICMA	ACT/ACT.ICMA

### 5.6 Minimum Term

An OTC Transaction must have a Term of at least 89 calendar days.

### 5.7 Minimum Residual Term

An OTC Transaction must have a Minimum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including, the Termination Date) greater than or equal to 3 Sydney Business Days.

### 5.8 Maximum Residual Term

An OTC Transaction must have a Maximum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including, the Termination Date) as specified in the following table in respect of the Currency, Designated Maturity and Floating Rate Index:

Currency	Floating Rate Index	Designated Maturity	Maximum Residual Term
AUD	AUD-BBR-BBSW	6 months	Less than or equal to 11,342 calendar days
		3 months	Less than or equal to 1,122 calendar days

- Note: Where an OTC Transaction specifies a different Designated Maturity for each leg, the Maximum Residual Term will be set based on the lower of the two Designated Maturities.

### 5.9 Fixing Days Offset and Fixing Holiday Centres

An OTC Transaction must have only the following Fixing Days Offset and Fixing Holiday Centres for a given Floating Rate Index to be eligible for OTC Clearing:

Floating Rate Index	Fixing Days Offset	Fixing Holiday Centre
AUD-BBR-BBSW	0	AUSY

### 5.10 Minimum First Fixing Rate

An OTC Transaction with a First Fixing Rate for a Floating Rate Index less than or equal to zero percent cannot be cleared. Note that an OTC Transaction where the First Fixing Rate is not specified is eligible for OTC Clearing.

### 5.11 Different First Fixing Rule

Where a Different First Fixing Rule is specified in MarkitWire as being applicable to an OTC Transaction the following conditions must be satisfied for the OTC Transaction to be eligible for OTC Clearing:

- The First Fixing Days Offset must be between 0 and –10 days inclusive as adjusted in accordance with the applicable Business Day Convention.

- The First Fixing Holiday Centres must be recognised by ASX Clear (Futures) (see Appendix A) and must, at a minimum, include the Fixing Holiday Centre specified in Section 5.9 above.

#### 5.12 Ineligible Floating Rate Indices

An OTC Transaction with a Floating Rate Index not listed in Sections 3.3, 4.3 or 5.3 as supported cannot be cleared.

#### 5.13 Non-Mutual Optional Early Termination

An OTC Transaction with Optional Early Termination that is not a mutual put (identified by the field labelled 'Option' on the Break (2) IRS template page containing either the value 'Optional – Unilateral My Option' or 'Optional – Unilateral Other Party Option') cannot be cleared.

#### 5.14 Mandatory Early Termination

An OTC Transaction with Mandatory Early Termination (identified by the field labelled 'Option' on the Break (2) IRS template page containing the value 'Mandatory') cannot be cleared.

#### 5.15 Period End Date Adjustments

An OTC Transaction with an unadjusted Termination Date (identified by either (or both) the Adj Final (Fixed) or Adj Final (Float) checkboxes on the Holidays IRS template page being un-ticked) cannot be cleared.

An OTC Transaction with no adjustment to the Period End Dates (identified by either (or both) the Adjust Fixed Period End Dates or Adjust Float Period End Dates checkboxes on the Holidays IRS template page being un-ticked) cannot be cleared, unless such a setting is not facilitated by MarkitWire.

An OTC Transaction with an "Accrual Period Adjustment" type that is not set to the same value for both legs cannot be cleared.

#### 5.16 Payment Lag

An OTC Transaction with Payment Lag of more than 2 Business Days cannot be cleared.

#### 5.17 Principal Currency Holiday Centres

An OTC Transaction denominated in any supported Currency shown below and which does not specify the associated holiday centre(s) for purposes of determining Business Days for payments and interest calculations cannot be cleared. In addition, any or all of the ASX Supported Holiday Centres listed in Appendix A may also be specified.

Currency	Holiday Centre	Markit Wire/FpML Code
AUD	Sydney	AUSY

#### 5.18 Business Day Convention

An OTC Transaction that does not specify one of following Business Day Conventions cannot be cleared:

<b>Business Day Convention</b>	<b>Markit Wire/FpML Code</b>
Modified Following	MODF
Following	FOLL
Preceding	PREC

An OTC Transaction must apply a single Business Day Convention to each of: the Floating Rate Payer Payment Dates, the Floating Rate Payer Period End Dates, the Floating Rate Payer compounding dates, and the Termination Date.

#### **5.19 Minimum Notional**

An OTC Transaction with a Notional less than one currency unit cannot be cleared.

#### **5.20 Payment and Roll Holiday Centres**

An OTC Transaction where the Payment Holiday Centres and Roll Holiday Centres are not the same cannot be cleared.

An OTC Transaction where the Payment Holiday Centres do not include the relevant principal holiday centre associated with the Currency cannot be cleared (see Section 5.17 for Principal Currency Holiday Centres).

An OTC Transaction where the Payment Holiday Centres include one or more centres not supported by ASX Clear (Futures) cannot be cleared (see Appendix A for ASX Supported Holiday Centres).

#### **5.21 Fees (Additional Payments)**

An OTC Transaction with more than two Additional Payments<sup>17</sup> cannot be cleared.

An OTC Transaction with an Additional Payment in a currency different to the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar does not include the principal holiday centre associated with the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar includes one or more holiday centres not supported by ASX Clear (Futures) (as described in Appendix A) cannot be cleared.

An OTC Transaction which does not have the Business Day Convention on Additional Payments, set to Modified Following (MODF) cannot be cleared.

An OTC Transaction which does not have the same holiday centres on Additional Payments, Payment Dates and roll dates cannot be cleared.

An OTC Transaction with an Additional Payment where the Payment Date is prior to the Effective Date or after the Termination Date cannot be cleared.

#### **5.22 Float Start Date**

An OTC Transaction with different start dates for each of the Float Start Dates cannot be cleared.

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<sup>17</sup> An additional payment under the terms of this section means any payment not part of the normal coupon cycle.

### 5.23 Floating Leg Calculation

An OTC Transaction with Reset In Arrears specified for a leg cannot be cleared.

An OTC Transaction with a Float Reset Frequency not equal to the Designated Maturity cannot be cleared.

### 5.24 Adjusted Starts

An OTC Transaction with a different value for both Adjust Float Start Dates cannot be cleared.

### 5.25 Compounding Method

An OTC Transaction with which has a Compounding Method of 'Spread Exclusive' cannot be cleared.

### 5.26 Leg Compliance

An OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW and which does not use one of the following Leg combinations cannot be cleared:

- Float/Float

### 5.27 Payment Frequency

An OTC Transaction with which does not use one of the following Payment Frequencies cannot be cleared:

- Quarterly
- Semi-Annually

### 5.28 Stubs

Non-standard Calculation Periods (referred to as **Stub Periods**) may only occur at the start or end of the OTC Transaction. An OTC Transaction with Stub Periods at both the start and end of the transaction is subject to rejection by ASX Clear (Futures) in its discretion. An OTC Transaction with a Stub Period at the start of the OTC Transaction greater than or equal to 2 Calculation Periods cannot be cleared.

An OTC Transaction with a Stub Period at the end of the OTC Transaction exceeding 1 Calculation Period cannot be cleared.

Application of Linear Interpolation for Stub Periods is only permitted between acceptable Stub Interpolation Floating Rate Index Tenors (currently 1m, 2m, 3m, 4m, 5m, 6m). OTC Transactions with Stub Period lengths outside of this tenor range, may elect to use "First Fixing Rate" or a Floating Rate Index without interpolation to be eligible for OTC Clearing. An OTC Transaction with Linear Interpolation for Stub Period lengths of less than 1 month (or greater than 6m), cannot be cleared.

### 5.29 Eligible Start Dates

An OTC Transaction with a Start Date exceeding the submission date by more than 5 Business Days cannot be cleared.

An OTC Transaction which has a Start Date prior to the Trade Date cannot be cleared.

## Appendix A: ASX Supported Holiday Centres

The following holiday centres are accepted by ASX. A MarkitWire trade that includes any other holiday centres than those listed below in the Payment, Roll, Additional Payment or Initial Fixing Holiday Centre fields cannot be cleared.

Holiday Centre	Markit Wire/FpML Code
Sydney	AUSY
Melbourne	AUME
New York	USNY
London	GBLO

## Appendix B: Additional Trade Eligibility Criteria Applied Outside of MarkitWire

1. Additional trade validation criteria will be applied by ASX Clear (Futures) to any OTC Transaction with a declare related event scheduled to occur on:
  - a) the same date as the MarkitWire message is received by ASX Clear (Futures), and
  - b) the same date as any contractual cash flow is scheduled to occur.

A declare related event is any trade amendment, cancellation or novation based on a declare message received by ASX Clear (Futures) through MarkitWire. Any such event that is communicated to ASX Clear (Futures) on the same day as the event is scheduled to occur, and is scheduled to occur on the same day as any contractual cashflow arising from the OTC Transaction, cannot be cleared.



## Schedule 2 – OTC Terms

The terms of an OTC Open Contract includes these OTC Terms. They are separated into 3 parts, Interpretation, Economic Terms and Standard Terms. These OTC Terms are applicable to calculate the amounts payable to, or by, ASX Clear (Futures) under each OTC Open Contract.

### 1 Interpretation

#### 1.1 ISDA definitions

The 2006 ISDA Definitions (referred to as the **2006 ISDA Definitions**), as published by the International Swaps and Derivatives Association, Inc., are incorporated into these OTC Terms. (Copies of the 2006 ISDA Definitions are available at [www.isda.org/publications/pubguide.aspx](http://www.isda.org/publications/pubguide.aspx).)

Accordingly, terms defined in the 2006 ISDA Definitions have the same meaning when used in these OTC Terms and references to **Articles** means Articles in the ISDA 2006 Definitions.

References in the 2006 ISDA Definitions to a “Swap Transaction” are taken to be references to an “OTC Open Contract” for the purposes of these OTC Terms.

The 2006 ISDA Definitions apply to an OTC Open Contract despite the selection of any other definitions in the data transmitted in the submission of an OTC Transaction for registration.

#### 1.2 Amendments

If the 2006 ISDA Definitions are amended then the amendments are incorporated into these OTC Terms in respect of each OTC Open Contract which has a Trade Date after the time that the amendment is effective, unless ASX Clear (Futures) notifies OTC Participants to the contrary. ASX Clear (Futures) agrees to notify the OTC Participants of any such amendments after it becomes aware of them.

The accidental omission to give notice under this provision to, or the non-receipt of notice under this provision by, any OTC Participant does not invalidate the amendment with which the notice is concerned.

#### 1.3 Inconsistency

In the event of an inconsistency between the OTC Rules or the OTC Handbook and the 2006 ISDA Definitions, the OTC Rules or the OTC Handbook, as the case may be, prevails.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms prevail.

### 2 Economic Terms

#### 2.1 Economic Terms

The economic terms of an OTC Open Contract (referred to as **Economic Terms**) are taken from the information submitted to ASX Clear (Futures) by the parties to the corresponding OTC Transaction.

## 2.2 Matched information

It is a condition to the registration that the particulars of a OTC Transaction presented to ASX Clear (Futures) must include matched information in respect of the Economic Terms, except that information in respect of 2.3(k)(vii) or (k)(viii) (not both).

## 2.3 OTC Transaction Type: Interest Rate Swaps

The Economic Terms for interest rate swaps comprise:

- (a) Notional Amount (see Article 4.7 for definition);
- (b) Currency (see Article 1.7 for definition);
- (c) Trade Date (see Article 3.7 for definition);
- (d) Effective Date (see Article 3.2 for definition);
- (e) Termination Date (see Article 3.3 for definition);
- (f) Initial Exchange (if applicable):
  - (i) Initial Exchange Amount payer;
  - (ii) Initial Exchange Amount (see Article 4.1 for definition);
  - (iii) Initial Exchange Date (see Article 3.4 for definition);
- (g) Interim Exchange or Periodic Exchange (if applicable):
  - (i) Interim Exchange Amount payer or Periodic Exchange Amount payer;
  - (ii) Interim Exchange Amount or Periodic Exchange Amount (see Article 4.2 for definition);
  - (iii) Interim Exchange Date or Periodic Exchange Date (see Article 3.5 for definition);
- (h) Final Exchange (if applicable):
  - (i) Final Exchange Amount payer;
  - (ii) Final Exchange Amount (see Article 4.3 for definition);
  - (iii) Final Exchange Date (see Article 3.6 for definition);
- (i) Business Days (see Article 1.4 for definition);
- (j) Business Day Convention (see Article 4.12 for definition);
- (k) Where Fixed Rate – Floating Rate Swap:
  - (i) Fixed Rate Payer (see Article 2.1 for definition);
  - (ii) Fixed Rate Payer Payment Dates;
  - (iii) Fixed Amount (see Article 4.4 for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Rate Payer Schedule];
  - (iv) Floating Rate Payer (see Article 2.2 for definition);
  - (v) Floating Rate Payer Payment Dates;
  - (vi) Floating Rate Payer compounding dates (if applicable);
  - (vii) Floating Amount (see Article 4.5 for definition);
  - (viii) Floating Rate Option (see Article 6.2(h) for definition);
  - (ix) Designated Maturity (see Article 7.3(b) for definition);

- (x) Spread (see Article 6.2(e) for definition);
  - (xi) Reset Dates (see Article 6.2(b) for definition);
  - (xii) Floating Rate Day Count Fraction (see Article 6.2(f) for definition).
- (l) Where Floating Rate – Floating Rate Swap (“basis” swap):
- (i) Floating Rate Payer 1 (see Article 2.2 for definition):
    - (A) Floating Rate Payer Payment Dates;
    - (B) Floating Rate Payer Compounding Dates (if applicable);
    - (C) Floating Rate Option (see Articles 6.2(i) and 6.2(h) for definition);
    - (D) Designated Maturity (see Article 7.3(b) for definition);
    - (E) Spread (see Article 6.2(e) for definition);
    - (F) Reset Dates (see Article 6.2(b) for definition);
    - (G) Floating Rate Day Count Fraction (see Article 6.2(f) for definition).
  - (ii) Floating Rate Payer 2 (see Article 2.2 for definition):
    - (A) Floating Rate Payer Payment Dates;
    - (B) Floating Rate Payer Compounding Dates (if applicable);
    - (C) Floating Rate Option (see Article 6.2(h) for definition);
    - (D) Designated Maturity (see Article 7.3(b) for definition);
    - (E) Spread (see Article 6.2(e) for definition);
    - (F) Reset Dates (see Article 6.2(b) for definition);
    - (G) Floating Rate Day Count Fraction (see Article 6.2(f) for definition).

## 2.4 Financial Centres

In addition to the Business Days for the financial centres specified in the Economic Terms, the Business Days for Sydney will apply to OTC Open Contracts.

## 3 Standard Terms

### 3.1 Standard Terms

The following terms are referred to as the Standard Terms of an OTC Open Contract.

### 3.2 Original documentation

Regardless of the documentation of an original OTC Transaction, these OTC Terms apply to all OTC Open Contracts.

### 3.3 Calculation Agent

The Calculation Agent (see Article 4.14 for definition) for each OTC Open Contract is ASX Clear (Futures).

### **3.4 Business Days**

In addition to the Business Days for the Financial Centres specified in the Economic Terms, the Business Days specified in the calendar published by ASX Clear (Futures), from time to time, will apply to an OTC Open Contract.

### **3.5 Negative Interest Rates**

The “Negative Interest Rate Method” as set out in Article 6.4(b) applies to an OTC Open Contract.

### **3.6 Stamp Tax**

Each OTC Participant will pay any Stamp Tax or duty levied or imposed upon it in respect of any OTC Open Contract to which it is a party and indemnifies ASX Clear (Futures) against any Stamp Tax or duty levied or imposed upon ASX Clear (Futures) in respect of any OTC Open Contract registered by ASX Clear (Futures) and to which that OTC Participant is a party.

### **3.7 Payments under an OTC Open Contract**

Each OTC Participant agrees to make the payments due to be made by it under each of its OTC Open Contracts in accordance with the OTC Rules and the OTC Handbook. Payments under, and in respect of, an OTC Open Contract are calculated by ASX Clear (Futures) and are made by, or to, the OTC Participant in accordance with the provisions of the OTC Handbook and the OTC Rules.

### **3.8 OTC Rules and OTC Handbook**

An OTC Open Contract is subject to the OTC Rules and the OTC Handbook, which forms part of its terms. In the event of any inconsistency between these OTC Open Contract Terms and the OTC Rules and the OTC Handbook, the OTC Rules and OTC Handbook (as applicable) prevails.

### **3.9 Governing law**

Each OTC Open Contract is governed by the law in force in New South Wales and the parties submit to the non-exclusive jurisdiction of the courts of New South Wales.

# Schedule 3 – Default Management Group Procedures

## 1 Introduction

The purpose of these default management group procedures (referred to as the **DMG Procedures**) is to set out the authority, organisation, manner of appointment and other matters relating to Default Management Groups (each referred to as a **DMG**) established by ASX Clear (Futures) pursuant to Paragraph 1.1 of Schedule 3 (Default Management Process) of the OTC Rules (referred to as the **Default Management Process**).

## 2 Definitions

Terms used and not otherwise defined in these DMG Procedures have the meanings which they have in the OTC Rules (including the Default Management Process).

Paragraphs of these DMG Procedures are referred to as DMG Paragraphs.

## 3 DMG Establishment

### 3.1 DMG Composition Table

ASX Clear (Futures) will maintain a table which lists ~~Liquidation Groups~~[OTC Transaction Types](#) and the number of persons required to participate in a DMG relating to such ~~Liquidation Groups~~[OTC Transaction Type](#) (referred to as a **DMG Composition Table**).

The maximum number of DMG Members who may be appointed in respect of each DMG is 10, or such other number as ASX Clear (Futures) may determine in its sole discretion.

The DMG Composition Table will be updated or adjusted by ASX Clear (Futures) annually for each upcoming DMG term.

[Explanatory Note: the amendments in DMG Paragraph 3.1 clarify that DMG Members will be limited to 10, unless otherwise provided by ASX Clear (Futures). Conforming amendments are also made following the amendments to DMG Paragraph 3.2 below.]

### 3.2 Establishment of DMGs

ASX Clear (Futures) will establish a DMG with respect to each ~~Liquidation Group~~[OTC Transaction Type](#) specified in the DMG Composition Table, provided that there are at least five OTC Participants having OTC Open Contracts relating to such ~~Liquidation Group~~[OTC Transaction Type](#).

However, ASX Clear (Futures) may, in its discretion, decide not to establish a DMG with respect to an ~~Liquidation Group~~[OTC Transaction Type](#) which does not have a substantial size.

[Explanatory Note: the amendments in this DM Paragraph 3.2 provide that a DMG will be established for each OTC Transaction Type, as opposed to a Liquidation

*Group as this concept is no longer utilised. This also permits a DMG to be called outside of a Default scenario as provided in the OTC Rulebook.]*

## 4 Selection of Participating DMG Member Institutions

### 4.1 Participating DMG Member Institution

ASX Clear (Futures) will select the OTC Participants entitled to nominate a DMG Member (each referred to as a **Participating DMG Member Institution**) in accordance with this DMG Paragraph 4 (Selection of Participating DMG Member Institutions).

### 4.2 Applicable List

With respect to ~~each a~~ DMG and the relevant DMG term, ASX Clear (Futures) will compile a list of eligible Participating DMG Member Institutions according to and ordered by the time when such eligible Participating DMG Member Institutions became OTC Participants (each referred to as an **Applicable List**). The applicable number of OTC Participants of each Applicable List will automatically qualify as Participating DMG Member Institutions for the ~~relevant~~ DMG in the order of appearance on the Applicable List, unless ASX Clear (Futures) determines, in its reasonable opinion, that there is a good reason for excluding a qualifying OTC Participant.

### 4.3 Substitution

Each Participating DMG Member Institution may arrange for another OTC Participant to perform its default management functions. Any such entity performing must be acceptable to ASX Clear (Futures) (in its sole discretion) and comply with the conditions imposed by ASX Clear (Futures) including signing the Agreement for the Participation in a Default Management Group in the form provided by ASX Clear (Futures) from time to time. Upon doing so the relevant OTC Participant will cease to be a Participating DMG Member Institution and, on acceptance by ASX Clear (Futures), the substitute is taken to be a Participating DMG Member Institution.

### 4.4 ASX Clear (Futures) to inform of selection

ASX Clear (Futures) will inform each Participating DMG Member Institution of its selection as a Participating DMG Member Institution for ~~the relevant a~~ DMG for the initial DMG term as soon as practicable following the commencement of OTC Clearing.

For each selection of Participating DMG Member Institutions in respect of each subsequent DMG term for ~~the relevant a~~ DMG, ASX Clear (Futures) will inform each Participating DMG Member Institution of its selection as a Participating DMG Member Institution at least three months prior to the commencement of the relevant DMG term.

## 5 Designated DMG Members

### 5.1 Designated DMG Members

By no later than two months following receipt of ASX Clear (Futures)'s notice pursuant to DMG Paragraph 4.4 (ASX Clear (Futures) to inform of selection), each Participating DMG Member Institution will nominate:

- (a) an individual [\(who may be an employee of the Participating DMG Member or of any Related Body Corporate of such Participating DMG Member\)](#) as a potential DMG Member (referred to as the **Designated DMG Member**); and
- (b) another individual [\(who may be an employee of the Participating DMG Member or of any Related Body Corporate of such Participating DMG Member\)](#) as a potential deputy (referred to as the **Designated DMG Deputy**),

for the DMG term of ~~the relevant~~ DMG by notifying ASX Clear (Futures) in writing or by fax of the identities and contact information (including personal telephone number and email address) of the nominated individuals (referred to as the **Designation Notice**).

If ASX Clear (Futures) does not receive the Designation Notice by the time set out above then the relevant Participating DMG Member Institution will cease to be a Participating DMG Member Institution. Another OTC Participant will be selected by ASX Clear (Futures) in accordance with DMG Paragraph 4 (Selection of Participating DMG Member Institutions) to nominate a Designated DMG Member and a Designated DMG Deputy for the DMG term of ~~the relevant~~ DMG. ASX Clear (Futures) will notify the relevant Participating DMG Member Institution of its failure to receive the Designation Notice.

[\[Explanatory Note: the amendments in this DM Paragraph 5.1 permit appointment of an individual as a DMG Member and DMG Deputy who is an employee of a Related Body Corporate of a Participating DMG Member\]](#)

## 5.2 DMG Member Undertaking

ASX Clear (Futures) will prepare and provide to each Designated DMG Member and Designated DMG Deputy a form of letter under which a Designated DMG Member or Designated DMG Deputy acknowledge and agree to its respective rights and responsibilities as described in these DMG Procedures.

The Participating DMG Member Institution will ensure that both the Designated DMG Member and the Designated DMG Deputy return the letter completed and duly executed, by the earlier of:

- (a) five Business Days after becoming a Designated DMG Member or a Designated DMG Deputy; and
- (b) the last Business Day prior to the commencement of the relevant DMG term (referred to as the **Designation Cut-Off Time**).

Failure by a Designated DMG Member or a Designated DMG Deputy to return a properly completed and executed letter by the Designated Cut-Off Time will result in the relevant Designated DMG Member or a Designated DMG Deputy ceasing to be a Designated DMG Member or a Designated DMG Deputy. In this circumstance, ASX Clear (Futures) will request the Participating DMG Member Institution to nominate a new DMG Member or DMG Deputy in accordance with this DMG Paragraph 5 (Designated DMG Members).

## 5.3 DMG Eligibility Criteria

Each Designated DMG Member and Designated DMG Deputy must satisfy the following eligibility criteria (referred to as the **DMG Eligibility Criteria**) evidenced by adequate information provided by the relevant Participating DMG Member Institution to ASX Clear (Futures):

- (a) the designated individual must be an employee of the Participating DMG Member Institution and must have agreed to participate in a DMG;
- (b) the designated individual must be qualified with respect to the relevant ~~Liquidation Group~~ OTC Transaction Type and must have appropriate expertise and experience in relation to the relevant DMG Matters;
- (c) the designated individual is not already a DMG Member or DMG Deputy in a DMG or a similar committee of another central counterparty, clearinghouse or exchange;
- (d) the designated individual will not be subject to conflicts of interest following its acceptance as a DMG Member or DMG Deputy and will not be unable to act as DMG Member or DMG Deputy for any other reason; ~~and~~
- (e) the designated individual must be available for prompt participations in person in a DMG Meeting within two hours after receipt of a DMG Invitation (as defined in DMG Paragraph 9 (Convening DMG Meetings) below); and
- (f) the designated individual must not have been sanctioned for misconduct in connection with his or her employment, whether by the Participating DMG Institution, any other employer (current or previous) or any legal or regulatory body.

[Explanatory Note: the amendments in DM Paragraph 5.3 provide that each individual nominated as a DMG Member or DMG Deputy must not have been sanctioned for misconduct.]

## 6 Acceptance by ASX Clear (Futures)

### 6.1 Assessment

Upon receipt of a Designation Notice, ASX Clear (Futures) will assess the candidacy of the Designated DMG Member and the Designated DMG Deputy on the basis of the information given by the Participating DMG Member Institution to evidence compliance with the DMG Eligibility Criteria.

The Participating DMG Member Institution will provide any further information or evidence of compliance with the DMG Eligibility Criteria reasonably requested by ASX Clear (Futures).

### 6.2 Acceptance of DMG Member and DMG Deputy by ASX Clear (Futures)

Upon acceptance of a Designated DMG Member and Designated DMG Deputy by ASX Clear (Futures), such Designated DMG Member will be a **DMG Member** for the DMG term of the ~~relevant~~ DMG and such Designated DMG Deputy will be a **DMG Deputy** for such DMG Member for the DMG term of the ~~relevant~~ DMG. Where these DMG Procedures refer to a DMG Member, such reference will also or only refer to the DMG Deputy if and to the extent the context so requires.

### 6.3 Rejection

ASX Clear (Futures) will only reject a Designated DMG Member or a Designated DMG Deputy if the Designated DMG Member or the Designated DMG Deputy does not satisfy the DMG Eligibility Criteria. ASX Clear (Futures) will notify the relevant Participating DMG Member Institution of such rejection and provide written reasons.

### 6.4 Second Nomination

Upon a rejection of a Designated DMG Member or a Designated DMG Deputy by ASX Clear (Futures), the relevant Participating DMG Member Institution may



nominate a second individual as Designated DMG Member or Designated DMG Deputy, as the case may be, in accordance with DMG Paragraph 5 (Designated DMG Members).

If ASX Clear (Futures) also rejects such second individual nominated as Designated DMG Member or Designated DMG Deputy, as the case may be, ASX Clear (Futures) will notify the relevant Participating DMG Member Institution and the relevant Participating DMG Member Institution will cease to be a Participating DMG Member Institution for that DMG for that DMG term.

ASX Clear (Futures) will then select another OTC Participant in accordance with DMG Paragraph 4 (Selection of Participating DMG Member Institutions) to nominate a Designated DMG Member and a Designated DMG Deputy for the DMG term of the ~~relevant~~ DMG.

## 6.5 List of DMG Members

ASX Clear (Futures) will maintain a list of all DMG Members and DMG Deputies of ~~the relevant~~<sup>each</sup> DMG, including the relevant contact details (address, phone number, fax number, email address).

ASX Clear (Futures) is not obliged to make available such list to OTC Participants or any other person.

## 7 Term of appointment

### 7.1 DMG term

The membership of a DMG Member or DMG Deputy in a DMG will end on the last day of the 12th month after it commenced (referred to as the **DMG term**). However, ASX Clear (Futures) may designate such longer initial DMG term of a DMG or otherwise extend the initial DMG term of a DMG following the commencement of OTC Clearing if it, and the relevant DMG (by majority vote), agree.

ASX Clear (Futures) is entitled to extend the DMG term of a DMG if the DMG Matters for which a DMG Meeting has been convened are not resolved before the end of such DMG term or if it, and the relevant DMG (by majority vote), otherwise agree to extend.

An individual appointed as a DMG Member or DMG Deputy may serve on the same DMG for consecutive DMG terms if duly appointed.

### 7.2 Information undertaking

Each Participating DMG Member Institution will inform ASX Clear (Futures) without undue delay if:

- (a) the relevant DMG Member or DMG Deputy no longer complies with the DMG Eligibility Criteria; or
- (b) it merges with any other Participating DMG Member Institution(s) and if therefore more than one DMG Member or DMG Deputy nominated by the Participating DMG Member Institutions (which are related bodies corporate) is a DMG Member or DMG Deputy in the same DMG.

### 7.3 Resignation

A DMG Member or DMG Deputy may at any time resign from its appointment by giving not less than 30 calendar days prior written notice of its resignation to the

DMG Secretary provided that in any event such resignation will only become effective upon the acceptance by ASX Clear (Futures) of a successor DMG Member or DMG Deputy.

#### **7.4 Automatic Removal**

A DMG Member or DMG Deputy will be automatically removed from a DMG on which it serves without any further notice upon:

- (a) the declaration or occurrence of a Default in relation to the Participating DMG Member Institution (or the OTC Participant (which it is substituting for) in the case of DMG Paragraph 4.3 (Substitution)) which has nominated such DMG Member or DMG Deputy; or
- (b) such Participating DMG Member Institution ceasing to be an authorised OTC Participant; or
- (c) ceasing to be an employee of the Participating DMG Member Institution.

In the case of (c), the Participating DMG Member Institution is to nominate a successor who meets the DMG Eligibility Criteria.

#### **7.5 Removal in the case of a merger**

If two or more Participating DMG Member Institutions are subject to a merger and become related bodies corporate, ASX Clear (Futures) will upon consultation with these Participating DMG Member Institution(s), remove all appointed DMG Members and DMG Deputies of such original Participating DMG Member Institutions except for one DMG Member and one DMG Deputy.

#### **7.6 Removal by ASX Clear (Futures)**

ASX Clear (Futures) has the right to remove a DMG Member or DMG Deputy from the DMG on which it serves by giving not less than five calendar days prior written notice to the DMG Member or DMG Deputy and the Participating DMG Member Institution if:

- (a) the DMG Member or DMG Deputy fails to participate in at least two DMG Meetings without good reason; or
- (b) the DMG Member or DMG Deputy fails to comply with its duties under the DMG Procedures and such failure (if capable of remedy) has not been remedied after receipt of written notice thereof from the DMG Secretary giving a reasonable remedy period; or
- (c) the DMG Member or DMG Deputy no longer complies with the DMG Eligibility Criteria.

In the case of (c), the Participating DMG Member Institution is to nominate a successor who meets the DMG Eligibility Criteria.

#### **7.7 Removal by Participating DMG Member Institution**

Participating DMG Member Institutions may remove the DMG Member or DMG Deputy nominated by it from the DMG on which it serves provided that such removal will only become effective upon the appointment of a successor DMG Member or DMG Deputy (as applicable).

## 7.8 Removal

Any DMG Member or DMG Deputy that resigns or is replaced or removed from a DMG under these DMG Procedures will no longer be a DMG Member or DMG Deputy, as the case may be, and ASX Clear (Futures) will, in each case, accept a successor DMG Member or DMG Deputy for the remaining DMG term of the ~~relevant~~ DMG who complies with the DMG Eligibility Criteria.

## 8 Office holders

### 8.1 DMG Chairman and DMG Deputy Chairman

Once all DMG Members for a ~~respective~~ DMG and a ~~respective~~ DMG term have been appointed, these DMG Members will, upon notification by ASX Clear (Futures), appoint (by Majority vote) a DMG Member to each of the following:

- (a) the chairman of the DMG (referred to as the **DMG Chairman**); and
- (b) the deputy chairman who will perform the functions of the DMG Chairman at any DMG Meeting at which the DMG Chairman is not present (referred to as the **DMG Deputy Chairman**).

The appointment as DMG Chairman and DMG Deputy Chairman will be valid for the DMG term of the ~~relevant~~ DMG.

### 8.2 DMG Secretary

ASX Clear (Futures) will serve as the secretary of each DMG (referred to as the **DMG Secretary**) and will perform the administrative duties set out in these DMG Procedures.

## 9 Convening DMG Meetings

### 9.1 DMG Secretary to convene

The DMG Secretary may at any time convene a meeting of a DMG (referred to as a **DMG Meeting**) by delivering a meeting request notice to all DMG Members (copied to each DMG Deputy) of the ~~relevant~~ DMG.

Such meeting requests are to be provided to each DMG Member by telephone or email at the telephone number or email address given to ASX Clear (Futures) and addressed to such DMG Member personally.

Meeting requests will be delivered to DMG Members as soon as practicable, ~~but not less than 2 hours~~, before the DMG Meeting giving details about the date and time of the DMG Meeting, provided that any meeting request for a DMG Meeting to be held pursuant to:

- (a) DMG Paragraph 9.2 (Regular meetings) will be delivered no less than 2 weeks prior to the DMG Meeting; or
- (b) DMG Paragraph 9.3 (Default management meetings) will be delivered no less than 2 hours prior to the DMG Meeting.

[Explanatory Note: the amendment to DM Paragraph 9.1 provide that 2 weeks notice will be given to all DMG Members in respect of a regular DMG meeting.]

## 9.2 Regular meetings

DMG Meetings will be convened at regular intervals in order to:

- (a) keep under review the Default Management Process, together with any guidance issued in respect of it;
- (b) keep under review the terms of reference of the DMG to ensure they remain appropriate;
- (c) consider appropriate supplements or amendments to the Default Management Process or guidance to improve the procedures in place; and
- (d) consider any other business relevant to the DMG which any member of the DMG or ASX Clear (Futures) from time to time considers appropriate.

[\[Explanatory Note: the amendment to DM Paragraph 9.2 permit ASX Clear \(Futures\) to table business relevant for a DMG to consider.\]](#)

## 9.3 Default management meetings

In addition to the regular meetings described in DMG Paragraph 9.2 (Regular meetings), DMG Meetings will be convened in accordance with the Default Management Process.

## 9.4 DMG Meeting Agenda

The DMG Secretary may consult with the DMG Chairman or the DMG Deputy Chairman prior to convening a DMG Meeting.

The DMG Secretary will prepare a meeting agenda which will be distributed to the DMG Members once the DMG Meeting has been opened by the DMG Chairman (referred to as the **DMG Meeting Agenda**).

## 10 Conduct of DMG Meetings

### 10.1 Location of DMG Meetings

DMG Meetings will take place at the premises of ASX Clear (Futures) in Sydney.

### 10.2 Participating DMG Members

DMG Members must participate in each DMG Meeting in person.

The relevant DMG Deputy must attend the DMG Meeting if the DMG Member does not attend. A DMG Deputy is not entitled to attend a DMG Meeting if the DMG Member for its Participating Member Institution is attending.

The DMG Members (and any DMG Deputies) attending a DMG Meeting are each referred to as a **Participating DMG Member**.

### 10.3 Representatives of Defaulted OTC Participants

For the purpose of DMG Meetings convened to deal with a specific Defaulted OTC Participant, ASX Clear (Futures) may, after consultation with the DMG, invite the Defaulted OTC Participant to nominate one or more representatives to join the DMG to assist it in carrying out its functions in the Default Management Process for that Defaulted OTC Participant, and also request representatives from any other OTC Participants.

If it receives such request, the OTC Participant must make available its nominated representative, or an alternate with appropriate skills, experience and expertise.

Each such representative:

- (a) must, before attending the meeting, sign an acknowledgment and undertaking letter provided by the DMG Secretary; and
- (b) will form part of the ~~relevant~~-DMG but will not have a right to vote at the DMG Meeting.

#### 10.4 Other Attendees

ASX Clear (Futures) may invite any outside counsel, other outside experts, Futures Participants or clients to designate one of its employees to attend one or more DMG Meetings of a ~~specific~~-DMG to the extent and as long as such attendance is considered appropriate by ASX Clear (Futures) (referred to as an **Other Attendee**).

Each Other Attendee:

- (a) must sign an acknowledgement and undertaking letter provided by the DMG Secretary prior to its attendance in a DMG Meeting; and
- (b) will form part of the ~~relevant~~-DMG but will not have the right to vote in a DMG Meeting.

#### 10.5 Employees of ASX Clear (Futures)

Employees of ASX Clear (Futures) may attend DMG Meetings at any time but will not have a right to vote and will not be taken to form part of the DMG. However, employees of ASX Clear (Futures) will have oversight over the DMG and any DMG Meeting and will facilitate any communication between the DMG, any DMG Member and ASX Clear (Futures) with respect to any DMG Matter or any other statement or matter as provided for in the DMG Procedures.

#### 10.6 No Communication

Participating DMG Members are not permitted to engage in any communication with the relevant Participating DMG Member Institution or any other third party with respect to DMG Matters or any other information obtained during DMG Meetings.

No Participating DMG Members may engage in any communication with another member of a DMG outside of the DMG Meeting with respect to DMG Matters.

Participating DMG Members of a DMG are not permitted to bring any means of electronic communication to the premises of the DMG Meeting.

#### 10.7 Leaving

Participating DMG Members may not leave the DMG Meeting until the DMG Meeting has been officially closed by the DMG Secretary.

#### 10.8 Voting Procedure and Majority

Subject to DMG Paragraph 8.1 (DMG Chairman and DMG Deputy Chairman), all decisions to be made by the DMG will be made at a DMG Meeting by Majority vote of the Participating DMG Members. No quorum of a particular number of Participating DMG Members is required for the convening of a DMG Meeting, the consideration of any item of business of a DMG Meeting or any decision or other determination of the DMG.

For this purpose, **Majority** will mean at least 50% of the Participating DMG Members.

Each Participating DMG Member will have one single vote. In the event that any vote is tied, the DMG Chairman will have the casting vote.

## 10.9 DMG Minutes

Minutes will be taken of all DMG Meetings and signed by the DMG Secretary (referred to as **DMG Minutes**). The DMG Minutes will include the place and date of the DMG Meeting, the Participating DMG Members, the DMG Matters on the DMG Meeting Agenda, the substance of the deliberations and the votes taken by the DMG.

The DMG Secretary will record in the DMG Minutes the identity of each Participating DMG Member with respect to any matter raised by such Participating DMG Member in the DMG Meeting.

## 11 Statements of DMG

### 11.1 DMG Statement

The DMG may appoint by Majority vote one or more Participating DMG Members to prepare, on behalf of the DMG, any proposal, response, statement or other document setting out the views of the DMG with respect to any DMG Matter (referred to as a **DMG Statement**).

The DMG Chairman may refer the DMG Statement to a DMG Meeting for approval by Majority vote or may, if the DMG Chairman is satisfied that the DMG Statement represents the views of the Majority of Participating DMG Members after circulating such DMG Statement to the Participating DMG Members, deliver such DMG Statement to ASX Clear (Futures), following which such DMG Statement will be incorporated into the DMG Minutes and will be deemed to set out the view of the DMG.

### 11.2 DMG Statements Non-binding

ASX Clear (Futures) will respect a statement or advice from the DMG. However ASX Clear (Futures) is not required to follow such statement or advice. In exercising its rights and obligations in consulting with a DMG, ASX Clear (Futures) will use all reasonable commercial endeavours to agree a common position with the DMG, provided that nothing in the OTC Rules, the OTC Handbook (including the DMG Procedures) or the Default Management Process will prevent ASX Clear (Futures) acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a CS facility licensee.

If ASX Clear (Futures) does not follow the recommendations or advice of the DMG, ASX Clear (Futures) will provide a notice in writing to the DMG Chairman setting out its reasons for not following such recommendations or advice. ASX Clear (Futures) will not be required to provide such reasons or information relating to reasons where that information is commercially sensitive.

## 12 Conduct of DMG Members

### 12.1 Status

Each Participating DMG Member always remains an employee of the respective Participating DMG Member Institution and does not become an employee of ASX Clear (Futures).

### 12.2 Directions by Participating DMG Member Institutions

The Participating DMG Member Institution must instruct, and if its DMG Member is employed by any Related Body Corporate of such Participating DMG Member Institution must use reasonable endeavours to ensure that such Related Body Corporate instructs, its DMG Member when acting in such capacity, to comply with the lawful instructions of ASX Clear (Futures) and otherwise to act in the best interest of a successful default management process of ASX Clear (Futures).

[Explanatory Note: clarifies that Participating DMG Member Institutions have an obligation to ensure that their DMG Member must comply with the instructions of ASX Clear (Futures)]

### 12.3 Information Undertakings

Each DMG Member will inform ASX Clear (Futures) without undue delay and, if possible, in advance if it is unable to attend any DMG Meeting due to holidays, sickness or any other absence or unavailability.

Each DMG Member and each DMG Deputy will promptly inform ASX Clear (Futures) of any change of its contact details provided to ASX Clear (Futures).

### 12.34 Confidentiality

Except as expressly contemplated in these DMG Procedures or as may be required by applicable law or court order or by an authority having appropriate jurisdiction, each DMG Member and each DMG Deputy will:

- (a) maintain absolute confidentiality regarding any and all information relating to ASX Clear (Futures) and any and all business and trade secrets of ASX Clear (Futures) both towards the Participating DMG Member Institution and towards third parties;
- (b) maintain absolute confidentiality with respect to all aspects of any DMG Matters of any current or past DMG Meetings in which such DMG Member was involved, including any discussions, deliberations, proceedings, or results of any votes, or any determinations or acts made under these DMG Procedures (referred to as the **Confidential Information**) both towards the Participating DMG Member Institution and towards third parties; and
- (c) not use any Confidential Information pursuant to item (a) or (b) for its own benefit or the benefit of the Participating DMG Member Institution or the benefit of any third parties (referred to as the **Confidentiality Obligation**).

### 12.5 Compliance with Default Management Group Dealing Code of Conduct and Default Management Group Terms of Reference

Each Participating DMG Member Institution, DMG Member and DMG Deputy will be bound by the provisions of the Default Management Group Dealing Code of

Conduct and the Default Management Group Terms of Reference, each as separately made available by ASX Clear (Futures) from time to time.

[Explanatory Note: each DMG Member and DMG Deputy will be bound to comply with ASX Clear (Futures) Default Management Group Dealing Code of Conduct and Default Management Group Terms of Reference]

## **12.6 Execution of DM Hedging Transactions**

If ASX Clear (Futures) has requested a Participating DMG Member of a DMG to assist ASX Clear (Futures) in the execution of DM Hedging Transactions in accordance with Schedule 3 of the OTC Rules (Default Management Process), the execution of such DM Hedging Transactions will be governed by the terms of the Default Management Group Dealing Code of Conduct.

[Explanatory Note: the execution of all DM Hedging Transactions by a Participating DMG Member will be governed by ASX Clear (Futures) Default Management Group Dealing Code of Conduct.]

## **13 Compensation**

### **13.1 No Remuneration**

DMG Members and DMG Deputies are not entitled to receive remuneration from ASX Clear (Futures).

### **13.2 Costs and Expenses**

Participating DMG Members may request from ASX Clear (Futures) reimbursement of all reasonable costs and expenses incurred in connection with their participation in a DMG Meeting, unless the relevant Participating DMG Member Institution is obliged to reimburse such costs and expenses.

## **14 Governing Law; Place of Jurisdiction**

The rights and obligations arising out of, and in connection with, these DMG 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 DMG Procedures is New South Wales.

## **15 Amendments**

ASX Clear (Futures) reserves the right to amend the DMG Procedures from time to time.



# Schedule 4 – Default Management Auction Procedures

## 1 DM Auction Procedures

Each DM Auction is governed by these default management auction procedures (referred to as the **General DM Auction Procedures**), as supplemented by specific auction terms (referred to as the **Specific DM Auction Terms**), which will be substantially in the form of the annex to this Schedule. 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 Auction and the General DM Auction Procedures, the Specific DM Auction Terms will prevail.

A summary of the applicable timings and steps to be taken in respect of a DM Auction (referred to as the **DM Auction Process Timeline**) is set out in the Addendum to these General DM Auction Procedures. 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 Definitions

Terms used and not otherwise defined in the DM Auction Procedures will have the meaning given to them in the OTC Rules (including the Default Management Process).

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

## 3 DM Auctions and DM Auctions Price

DM Auctions will enable the bidders participating in accordance with the DM Auction Procedures to enter into the DM Auction Transactions comprised in the relevant Auction Units with ASX Clear (Futures) at an auction price for the relevant Auction Unit determined in accordance with these DM Auction Procedures (the price for an Auction Unit in each case is referred to as an **Auction Price**).

ASX Clear (Futures) will, after consultation with the relevant DMG(s), specify in the Specific Terms for each DM Auction the relevant Auction Units, and the total number of Auction Units, to be auctioned in the relevant DM Auction, [provided that, if the Auction Format of a DM Auction in respect of an Auction Pool is “Highest Bidder Wins Auction Format” there will only be one Auction Unit for such DM Auction.](#)

[\[Explanatory Note: clarifies that for a DM Auction in the “Highest Bidder Wins” Auction Format, there will only be one Auction Unit.\]](#)

## 4 Participation in DM Auctions

### 4.1 Participating Bidders

Each Mandatory OTC Participant which is obliged to participate in the relevant DM Auction in accordance with the Default Management Process may:

- (a) either itself; or
- (b) arrange for another OTC Participant in its place (whether as principal or agent, provided that such arrangement is acceptable to ASX Clear (Futures)),

make a submission of a Bid (as defined below) with regard to a specific Auction Unit, such bidder referred to as a **Participating Bidder**.

### 4.2 Disclosure

A Mandatory OTC Participant may not disclose the Specific DM Auction Terms or any ~~additional~~ other information with respect to any DM Auction.

## 5 Pre-Auction Procedures

### 5.1 DM Auction Invitees

For each DM Auction ASX Clear (Futures) will provide all Mandatory OTC Participants (each referred to as a **DM Auction Invitee**) with the Specific DM Auction Terms and with any further relevant information relating to the DM Auction.

The distribution of the Specific DM Auction Terms constitutes an invitation of ASX Clear (Futures) to the DM Auction Invitees to submit a Bid to enter into each of the DM Auction Transactions comprised in the relevant Auction Unit with ASX Clear (Futures) at the Auction Price.

### ~~5.2 Auction Units~~

~~In addition, ASX Clear (Futures) will specify in the Specific DM Auction Terms or by email for each Mandatory OTC Participant a minimum number of Auction Units for which such individual Mandatory OTC Participant will bid. Such number will depend on the relative exposure of the relevant Mandatory Participant with respect to the relevant Liquidation Group(s), in particular with regard to:~~

- ~~(a) the number of OTC Open Contracts held by the Mandatory OTC Participant with respect to the relevant Liquidation Group(s);~~
- ~~(b) the notional amount of OTC Open Contracts held by the Mandatory OTC Participant with respect to the relevant Liquidation Group(s); and~~
- ~~(c) the risks inherent in the OTC Open Contracts held by the Mandatory OTC Participant with respect to the relevant Liquidation Group(s).~~

~~Auction Units can include both OTC Open Contracts and, if applicable, other Open Contracts of the Defaulted OTC Participant.~~

*[Explanatory Note: as not all Auction Formats will have multiple Auction Units, the provisions of this paragraph have been moved to the "Multi-Unit Auction Format" in paragraph 8.4 below]*

### 5.32 Content of Specific DM Auction Terms

The Specific DM Auction Terms will contain:

- (a) the Auction Unit(s) (including information regarding the DM Auction Transactions comprised in them [and any minimum number of Auction Units which each individual Mandatory OTC Participant is required to bid for](#));
- (b) the auction currency;
- (c) the scheduled auction date (referred to as the **Auction Date**) and the commencement time, as of which the respective Bids can be submitted (referred to as the Commencement Time);
- (d) the scheduled expiration time by which the respective Bids have to be submitted pursuant to DM Auction Paragraph 6 (Bidding Procedures) by the relevant Mandatory OTC Participant (referred to as the Expiration Time);
- (e) the Auction Format (as defined in DM Auction Paragraph 8 (Auction Format) below); and
- (f) the date and time of acceptance of the winning Bids (referred to as the Acceptance Date and Acceptance Time) and the date and time of settlement of the auction (referred to as the Settlement Date and the Settlement Time).

### 5.43 Changes

ASX Clear (Futures) is entitled at any time prior to the Expiration Time to change the Auction Date, Commencement Time, Expiration Time, the Auction Format, [the Auction Pool the subject of the DM Auction](#) or the bidding procedures pursuant to DM Auction Paragraph 6 (Bidding Procedures), or to cancel a DM Auction, in each case by notice, provided that ASX Clear (Futures) will reasonably extend the Expiration Time to allow for the exercise of the revocation right pursuant to DM Auction Paragraph 5.5.4 (Revocation of Bids) below. ASX Clear (Futures) will inform all Participating Bidders about any such changes.

### 5.54 Revocation of Bids [following amendment](#)

If ASX Clear (Futures) 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 such amendment is, in the reasonable opinion of ASX Clear (Futures), 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 DM Auction Paragraph 5.5.4 (Revocation of Bids), provided that a revocation of the respective Bid(s) will only become effective if received by ASX Clear (Futures) prior to the Expiration Time (as amended). Any extension, cancellation, or re-opening of a DM Auction will be deemed not to be materially prejudicial so that a Participating Bidder [may not revoke its Bid in case of any such change, however such a Bid may be revised prior to the Expiration Time of the DM Auction.](#)

[\[Explanatory Note: clarification that any Bid placed may be revised prior to the Expiration Time of the DM Auction as extended or re-opened but may not be revoked.\]](#)

## 6 Bidding Procedures

### 6.1 Principles

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

- (a) each Mandatory OTC Participant is obliged to provide ASX Clear (Futures) with its mandatory bid(s); and
- (b) each Mandatory OTC Participant is permitted to provide ASX Clear (Futures) with a Bid for any further Auction Unit for which it is not obliged to bid.

### 6.2 Bids and Bidding Periods

Participating Bidders ~~will~~ must submit their offered price for ~~each an~~ Auction Unit, or if there is a minimum number of Auction Units a Mandatory OTC Participant is required to bid, the number of Auction Units no less than such minimum number, in accordance with ~~the~~ Auction Format and in compliance with the DM Auction Procedures (each such submission referred to as a **Bid**) in accordance with DM Auction Paragraph 8 (Auction Format) from, and including, the relevant Commencement Time to, and including, the relevant Expiration Time (referred to as the **Bidding Period**). Each Bid must be a price per Auction Unit expressed in the Auction Currency as specified in the Specific DM Auction Terms for such DM Auction.

[Explanatory Note: a price offered for Auction Units will only constitute a Bid if a price is submitted for at least the minimum number of Auction Units required to be bid for by a Mandatory OTC Participant]

### 6.3 Bids Irrevocable

A Bid constitutes an offer to enter into the DM Auction Transactions comprised in the relevant Auction Unit(s) (as referred to in the Bid in accordance with the Auction Format and in compliance with the DM Auction Procedures) with ASX Clear (Futures) at the Auction Price. Subject to DM Auction Paragraph 5.5-4 (Revocation of Bids following amendment), ~~a~~ the most recent Bid received by ASX Clear (Futures) from a Participating Bidder in respect of the Auction Unit(s) comprised in a DM Auction will be irrevocable.

[Explanatory Note: as Bids may be amended prior to closure of a DM Auction, only the last submitted Bid by a Participating Bidder will be irrevocable.]

### 6.4 Bids may be Positive or Negative

Bids may be positive or negative. If the Bid is positive, then if it is successful the Participating Bidder will be required to pay the Auction Price to ASX Clear (Futures). If the Bid is negative, then if it is successful ASX Clear (Futures) will be required to pay the Auction Price to the Participating Bidder.

### 6.5 Bids not open

All Bids submitted are to be made by means of a confidential means of communication and are to remain anonymous until the Expiration Time.

[Explanatory Note: all Bids will remain confidential until the Expiration Time]

### 6.6 Oral Bids

Unless otherwise specified in the Specific DM Auction Terms, Participating Bidders may submit a Bid orally by telephone to ASX Clear (Futures), provided that such oral submission is subsequently evidenced in writing by the Participating Bidder to ASX Clear (Futures). However, the failure to provide any written evidence to ASX Clear (Futures) does not alter the effectiveness of the relevant Bid.

Any Bid submitted orally will be deemed to have been submitted at the time of the oral communication of such Bid.

The record maintained by ASX Clear (Futures) of any such Bid is the authoritative record and is conclusive at all times.

*[Explanatory Note: Bids may be submitted to ASX Clear (Futures) orally with written evidence to follow. However the records of ASX Clear (Futures) will be conclusive and the effectiveness of the Bid will not be affected by a failure to provide written evidence.]*

## **6.7 Instructions to ASX Clear (Futures)**

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

*[Explanatory Note: ASX Clear (Futures) is under no obligation to accept any communication from a Participating Bidder which it deems to be unclear.]*

## **7 Determination of Winning Bid and Auction Price**

### **7.1 Winning Bids**

After the Expiration Time, ASX Clear (Futures) will determine the winning Bid for each Auction Unit in accordance with the Auction Format specified in the Specific DM Auction Terms and will inform the winning Participating Bidder on the Acceptance Date and at the Acceptance Time about the acceptance of the respective Bid.

If two or more Participating Bidders enter the same Bid for the same Auction Unit, the winning Bid will be the Bid that was received first by ASX Clear (Futures).

However, regardless of any provisions contained in the Specific DM Auction Terms or these General DM Auction Procedures, if the Auction Format for a DM Auction specifies that the highest Bid (or Bids) submitted is to be the winning Bid (or Bids) for an Auction Unit, if the highest Bid (or Bids) are not acceptable to ASX Clear (Futures) in its sole discretion, having regard to compliance with its obligations as a clearing facility licensee, ASX Clear (Futures) may instead select the next highest Bid (or Bids) (or if the next highest Bid is also not acceptable to ASX Clear (Futures) each subsequent lower Bid until a Bid (or Bids) are deemed acceptable) as the winning Bid (or Bids) in any DM Auction.

*[Explanatory Note: if ASX Clear (Futures) determines that acceptance of the highest Bid submitted as the winning Bid for an Auction Unit is not acceptable, given its licensing obligations, it may determine that subsequent lower Bids are instead the winning Bid, regardless of the procedures specified in the particular Auction Format.]*

## 7.2 DM Auction Transactions

Upon acceptance of the winning Bid for an Auction Unit by ASX Clear (Futures), the DM Auction Transactions of such Auction Unit will be established at the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Unit in accordance with the standard practices of ASX Clear (Futures). The relevant DM Auction Transactions will be established between ASX Clear (Futures) and either:

- (a) the Participating Bidder; or
- (b) in respect of DM Auction Transactions equivalent to Terminated Open Contracts, in circumstances where the Participating Bidder is not a Futures Participant, the Futures Participant nominated by the Participating Bidder in accordance with paragraph 2.3 (Conditions to become an OTC Participant) of the OTC Handbook.

## 7.3 Notification

ASX Clear (Futures) will inform all Participating Bidders as soon as practically feasible whether their Bid(s) qualified as winning Bid(s) with respect to each Auction Unit.

## 7.4 Failed Auction

If ASX Clear (Futures) determines that a DM Auction or any part of it has failed for any reason, ASX Clear (Futures) may reallocate Auction Units and hold a further DM Auction, or take such other action as ASX Clear (Futures) determines in its discretion is appropriate.

## 7.5 Non-disclosure

ASX Clear (Futures) will keep confidential the details of all Bids submitted to it until the Expiration Time, provided that following the Expiration Time, ASX Clear (Futures) may disclose to the DMG the level of each Bid received.

In any event, ASX Clear (Futures) will not disclose:

- (a) the identity of the Participating Bidder that submitted the winning Bid for an Auction Unit to any party;
- (b) the Auction Price for any Auction Unit of ~~a DM Auction~~ an 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.

[Explanatory Note: ASX Clear (Futures) will keep Bid details confidential but may disclose Bid levels to the DMG after the closure of the DM Auction.]

## 8 Auction Format

### 8.1 General

The Specific DM Auction Terms will specify the format of the relevant DM Auction with regard to the content of a Bid, the specific procedures of the bidding and the determination of ~~the a~~ winning Bid (referred to as the **Auction Format**).

ASX Clear (Futures) may apply any Auction Format to a DM Auction in its sole discretion, however ~~W~~when conducting a DM Auction in accordance with these DM Auction Procedures, ASX Clear (Futures) will, unless stated otherwise in the Specific DM Auction Terms, apply the Auction Format of a "~~Standard-Highest Bidder Wins~~ Auction Format" as described in DM Auction Paragraph 8.3 (~~Standard-Highest Bidder Wins~~ Auction Format).

[Explanatory Note: provides clarification that ASX Clear (Futures) may choose any Auction Format in relation to a DM Auction. However, unless otherwise specified, "Highest Bidder Wins" Auction Format will apply]

### 8.2 Reserve Price

The Specific DM Auction Terms may specify that ASX Clear (Futures) can set a reserve price in connection with~~with respect to~~ a DM Auction. If a reserve price ~~so~~ specified for one or more Auction Units is higher than the otherwise winning ~~bid~~Bid for such Auction Unit(s), then despite any other provision of these DM Auction Procedures there is taken to be no winning ~~bid~~Bid for that DM Auctionsuch Auction Unit(s).

### 8.3 Highest Bidder Wins Auction Format

If the Specific DM Auction Terms specify "Highest Bidder Wins Auction Format" as the applicable Auction Format or if no Auction Format is specified, the following applies:

- (a) all Bids will be made in accordance with the DM Auction Procedures;
- (b) there will be one Auction Unit only comprised in the Auction Pool;
- (c) each Mandatory OTC Participant is required to bid for the Auction Unit comprised in the Auction Pool;
- (d) subject to DM Paragraph 8.2 (Reserve Price) and acceptance of the winning Bid by ASX Clear (Futures), the highest valid Bid will be the winning Bid with respect to the Auction Unit and such highest Bid will be the Auction Price for the Auction Unit; and
- (e) subject to DM Paragraph 8.2 (Reserve Price), ASX Clear (Futures) will accept the winning Bid pursuant to DM Auction Paragraph 7.1 (Winning Bids) above with respect to the Auction Unit unless ASX Clear (Futures) chooses not to accept any Bids (in which case it may choose to initiate another DM Auction).

[Explanatory Note: "Highest Bidder Wins" Auction Format provides that each Mandatory OTC Participant must submit a Bid for the entire Auction Pool (as there is only one Auction Unit). The highest bidder for the Auction Pool will be the winner.]

### 8.4 ~~Standard~~ Multi-Unit Auction Format

If the Specific DM Auction Terms specify "~~Standard~~ Multi-Unit Auction Format" as the applicable Auction Format, the following applies:

(a) ~~(a)~~ ASX Clear (Futures) will specify in the Specific DM Auction Terms or by email to each Mandatory OTC Participant a minimum number of Auction Units for which the Mandatory OTC Participant will submit a Bid. Such minimum number of Auction Units will be determined by ASX Clear (Futures) in accordance with the following formula:

- (i) the Proportionate Initial Margin Value for the Mandatory OTC Participant for the relevant Auction Pool  
divided by  
the sum of the Proportionate Initial Margin Values for all Mandatory OTC Participants for the relevant Auction Pool  
multiplied by
- (ii) the Weighted Number of Auction Units for the relevant Auction Pool.

For this purpose:

**Proportionate Initial Margin Value** is the value of Initial Margin allocated to a Mandatory OTC Participant for the relevant Auction Pool as determined by ASX Clear (Futures) on the basis of the proportion of OTC Open Contracts and other Open Contracts held by such Mandatory OTC Participant as compared with the OTC Open Contracts and other Open Contracts held by each other Mandatory OTC Participant taking into consideration the Terminated Open Contracts and DM Hedging Transactions comprised in such Auction Pool.

**Weighted Number of Auction Units is:**

- A. the value of Initial Margin of the Defaulted OTC Participant for the relevant Auction Pool, as determined by ASX Clear (Futures) as if for this purpose it were a Mandatory OTC Participant  
divided by
- B. the Auction Unit size in AUD as determined by ASX Clear (Futures) in its sole discretion  
multiplied by
- C. a multiplier determined by ASX Clear (Futures) in its sole discretion, provided that the multiplier must be greater than one.

The resulting minimum number of Auction Units for such Mandatory OTC Participant will be rounded up to the nearest whole Auction Unit.

(b) all Bids will be made in accordance with the DM Auction Procedures;

~~(b) ASX Clear (Futures) will not disclose to the Mandatory OTC Participants which of the two portfolios comprise the DM Auction Transactions and which comprise the opposite transactions. The binding Bid only relates to an Auction Unit;~~

- (c) subject to DM Paragraph 8.2 (Reserve Price) and acceptance of the winning Bid by ASX Clear (Futures), the highest valid Bid will be the winning Bid with respect to each Auction Unit and such highest Bid will be the Auction Price for the respective Auction Unit; and
- (d) subject to DM Paragraph 8.2 (Reserve Price), ASX Clear (Futures) will accept the winning Bid pursuant to DM Auction Paragraph 7.1 (Winning Bids) above with respect to each Auction Unit irrespective of whether Bids were submitted for all Auction Units of the respective DM Auction unless



ASX Clear (Futures) chooses not to accept any Bids (in which case it may choose to initiate another DM Auction).

~~Note: each Mandatory OTC Participant will be requested to Bid on two portfolios — one bid for an Auction Unit based on the portfolio comprising the DM Auction Transactions and one bid for an auction unit based on a portfolio comprising transactions opposite to the DM Auction Transactions.~~

[Explanatory Note: Multi-Unit Auction Format provides that Mandatory OTC Participants must bid on a minimum number of Auction Units depending upon the IM amount ascribed to them for the particular Auction Pool. The formula used by ASX Clear (Futures) to determine the minimum number of Auction Units is specified.]

## 9 Settlement of Auction Price

At the Settlement Time on the Settlement Date, the ~~payment of the~~ Auction Price becomes due and payable and will be paid, together with any applicable OTC Daily Variation Margin or Variation Margin associated with the successful Bid.

## 10 Irregularities

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 (Futures), which determination will be final and binding.

ASX Clear (Futures) reserves the absolute right to reject at any time any and all Bids that do not comply with these DM Auction Procedures.

ASX Clear (Futures) reserves the absolute right to waive any requirement under the DM Auction Procedures.

ASX Clear (Futures) will be under no duty to give notice to Participating Bidders of any irregularities in Bids.

## 11 Representations, Warranties and Undertakings

### 11.1 Agreements

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

- (a) it accepts the DM Auction Procedures;
- (b) it accepts that ASX Clear (Futures) is under no obligation to accept a Bid which is not made in accordance with the DM Auction Procedures;
- (c) it accepts the rights of ASX Clear (Futures) set out in DM Auction Paragraph 10 (Irregularities); and
- (d) it will indemnify on an after tax basis ASX Clear (Futures) against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which ASX Clear (Futures) may incur or which may be made against ASX Clear (Futures) as a result of any breach of any of the DM Auction Procedures of, or any 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 OTC Participant's Default, of fifty million dollars (\$50,000,000).

## 11.2 Acknowledgments

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

- (a) it understands that ASX Clear (Futures) 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 DM Auction Paragraph 5.4.3 (Changes), 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 (Futures) 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 Units;
- (c) that ASX Clear (Futures) will rely upon the truth and accuracy of the acknowledgments, agreements, representations, warranties and undertakings contained in this DM Auction Paragraph 11 (Representations, Warranties and Undertakings); and
- (d) that an OTC Daily Variation Margin requirement or Variation Margin requirement with respect to the respective DM Auction Transactions comprised in the relevant Auction Units may become due at the relevant Settlement Time.

## 11.3 Representations

By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder represents and warrants at the time of the submission of its Bid, to ASX Clear (Futures) that:

- (a) it 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 Units, that it ~~respects to be permitted to will~~ use any such information solely for the purpose of evaluating the relevant Auction Units and that it will, unless it has provided the winning Bid ~~in accordance with DM Auction Paragraph 8.3(c) (Standard Auction Format)~~ which has been accepted by ASX Clear (Futures), immediately delete and destroy such information after the respective Expiration Time and will promptly certify to ASX Clear (Futures) 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 or which will or may result in ASX Clear (Futures) or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with a Bid;
- (d) it does not engage in any trading activity with the purpose of affecting the value of any DM Auction Transaction or Auction Units;
- (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.

The representations and warranties pursuant to this DM Auction Paragraph 11.3 (Representations) will be repeated by each Participating Bidder on the Settlement Date.

#### **11.4 Duty to Inform**

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

#### **12 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.

#### **13 Amendment of DM Auction Procedures**

ASX Clear (Futures) reserves the right to amend the DM Auction Procedures.

## Addendum – 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

Step:	Applicable time:	Action:
1	Prior to the Commencement Time	ASX Clear (Futures) to provide all DM Auction Invitees with the Specific Auction Terms in respect of the DM Auction. <a href="#">If the Auction Format is "Multi-Unit Auction Format"</a> ASX Clear (Futures) will specify the minimum number of Auction Units which must be bid for by each Mandatory OTC Participant.
2	At the Commencement Time on the Auction Date	The DM Auction commences.
3	During the Bidding Period	Participating Bidders to submit Bids for <del>each</del> <a href="#">the relevant number of</a> Auction Units.
4	Prior to the Expiration Time	ASX Clear (Futures) may change the Auction Date, Commencement Time, Expiration Time, Auction Format or bidding procedures. If such changes are materially prejudicial to a Participating Bidder that has already submitted a Bid, the Participating Bidder may revoke its Bid, if such revocation is received prior to the Expiration Time (as amended).
5	Expiration Time	Submission of Bids closes.
6	Acceptance Time on the Acceptance Date	ASX Clear (Futures) will inform the winning Participating Bidder of the acceptance of its winning Bid for <del>an</del> <a href="#">the relevant</a> Auction Units.
7	Settlement Time on the Settlement Date	DM Auction Transactions of each Auction Unit are established as of the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Unit. Any applicable OTC Daily Variation Margin or any Variation Margin associated with the successful Bid becomes due and payable.

**ANNEX – Form of Specific Terms for DM Auctions**

***[Letterhead of ASX Clear (Futures)]***

To The Mandatory OTC Participants

[Date]

**SPECIFIC TERMS FOR DM AUCTIONS**

You have been invited by ASX Clear (Futures) 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 Schedule 4 (Default Management Auction Procedures) of the ASX OTC Handbook by ASX Clear (Futures) Pty Ltd 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 DM Auction Specific Terms, these Specific DM Auction Terms will prevail.

Each Mandatory OTC Participant 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 Units. It will ~~further respect to be permitted to~~ use any such information solely for the purpose of evaluating the ~~relevant~~ Auction Units and it will, unless it has provided ~~the a~~ winning Bid ~~that has been accepted by ASX Clear (Futures), in accordance with DM Auction Paragraph 8.3(c) (Standard Auction Format) of the General DM Auction Procedures,~~ immediately delete and destroy such information after the respective Expiration Time and will promptly certify to ASX Clear (Futures) in writing that such deletion has been completed.

**General Information:**

~~Liquidation Group~~ Auction Pool(s): [ ]

DM Auction Transactions: See attached spreadsheet

Auction Units: See attached spreadsheet

[Minimum number of Auction Units which must be Bid for: [ ]]

Weighted OTC Commitment Amount: [ ]

Auction Currency:

**Auction Timetable:**

Auction Date: [ ]

Commencement Time: [ ]

Expiration Time: [ ]

Acceptance Date and [ ]

Acceptance Time: [ ]

Announcement Time: [ ]

Settlement Date and Settlement Time: [ ]

**Bidding and Auction Procedure Details:**

Auction Format:	[	]	<del>Standard</del> <a href="#">Highest Bidder Wins</a> Auction
	Format]		<a href="#">Multi-Unit Auction Format]</a>
<i>[other]</i>	[	]	Other: <i>[describe]</i>
<i>[other]</i>	[	]	
<i>[other]</i>	[	]	

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## Schedule 5 – Juniorisation Worked Examples

The following examples assume there are nine OTC Participants each having an OTC Commitment as follows:

	<u>OTC Participant</u>	<u>Fixed OTC Commitment (AUD)</u>	<u>Variable OTC Commitment (AUD)</u>	<u>Total OTC Commitment (AUD)</u>
1	<u>Apple Bank</u>	<u>5,000,000</u>	<u>20,000,000</u>	<u>25,000,000</u>
2	<u>Orange Bank</u>	<u>5,000,000</u>	<u>8,000,000</u>	<u>13,000,000</u>
3	<u>Pear Bank</u>	<u>5,000,000</u>	<u>7,000,000</u>	<u>12,000,000</u>
4	<u>Peach Bank</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>10,000,000</u>
5	<u>Banana Bank</u>	<u>5,000,000</u>	<u>4,000,000</u>	<u>9,000,000</u>
6	<u>Tomato Bank</u>	<u>5,000,000</u>	<u>3,000,000</u>	<u>8,000,000</u>
7	<u>Olive Bank</u>	<u>5,000,000</u>	<u>2,000,000</u>	<u>7,000,000</u>
8	<u>Carrot Bank</u>	<u>5,000,000</u>	<u>1,000,000</u>	<u>6,000,000</u>
9	<u>Default Bank</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>10,000,000</u>
	<b><u>Total</u></b>	<b><u>45,000,000</u></b>	<b><u>55,000,000</u></b>	<b><u>100,000,000</u></b>

**Table 1: OTC Commitments of each OTC Participant**

### **1 Highest Bidder Wins Auction Format DM Auction, all OTC Participants are Mandatory OTC Participants**

Assume that the Defaulting OTC Participant, named Default Bank, had an OTC Initial Margin (IM) requirement of AUD 200,000,000 in respect of its OTC Open Positions at the time of Default.

Assume that ASX Clear (Futures) determines that one DM Auction is to take place using the Highest Bidder Wins Auction Format, and all Non-Defaulting OTC Participants are Mandatory OTC Participants. The OTC Commitments of all Non-Defaulting OTC Participants will consequently be applied in accordance with the procedures set out in Paragraph 5 (Juniorisation) of Schedule 3 of the OTC Rules in that one DM Auction.

The DM Auction takes place and the submitted Bids were ranked from highest to lowest in accordance with Paragraph 5.3 (Priority Groups and Commitment Application Amounts) of Schedule 3 of the OTC Rules. The resulting order in relation to each Mandatory OTC Participant was as follows:

<u>Rank</u>	<u>Mandatory OTC Participant</u>	<u>OTC Commitment (AUD)</u>	<u>Cumulative Total OTC Commitment available for application (AUD)</u>
1	Apple Bank	25,000,000	90,000,000
2	Tomato Bank	8,000,000	65,000,000
3	Orange Bank	13,000,000	57,000,000
4	Peach Bank	10,000,000	44,000,000
5	Pear Bank	12,000,000	34,000,000
6	Carrot Bank	6,000,000	22,000,000
7	Banana Bank	9,000,000	16,000,000
8	Olive Bank	7,000,000	7,000,000
	<b>Total</b>	<b>90,000,000</b>	

**Table 2: Ranking of Bids and resulting Juniorisation waterfall**

The OTC Commitment of the Defaulting OTC Participant is not included in Table 2 as it ranks junior to the OTC Commitment of all Non-Defaulting OTC Participants in the order of application as set out in Futures Rule 7.1.

In applying the OTC Commitment of each Non-Defaulting OTC Participant in accordance with Futures Rule 7.1(d), Losses are applied to the OTC Commitments in sequential order from the OTC Participant who submitted the lowest Bid (Olive Bank in Table 2) up to the winning bidder (Apple Bank in Table 2).

If the Losses have been fully met by applying the OTC Commitment of some but not all of the Non-Defaulting OTC Participants then the loss application process will cease at such point. For example, if the Losses were fully met after application of AUD 50,000,000 of the Total OTC Commitment of the Non-Defaulting OTC Participants, then each of Olive, Banana, Carrot, Pear and Peach Banks would have lost all their respective OTC Commitments and Orange Bank would lose AUD 6,000,000 of its AUD 13,000,000 OTC Commitment. None of the OTC Commitment of Apple Bank and Tomato Bank would be applied as they submitted higher Bids.

## **2 Multiple Highest Bidder Wins Auction Format DM Auctions, all OTC Participants are Mandatory OTC Participants**

Assume that ASX Clear (Futures) determines that four Auction Pools should be created in respect of a Defaulted OTC Participant in accordance with Paragraph 4.3 (Auction Pools and Auction Pool Weighting) of Schedule 3 of the OTC Rules.



Assume that three of those Auction Pools (Auction Pools A, B and C) are expected to achieve a reasonable level of bidding interest from the Non-Defaulting OTC Participants and have each been given an Auction Pool Risk Weighting of 1 (the baseline allocation multiplier). However, one Auction Pool (Auction Pool D) is determined to be a little less attractive and therefore ASX Clear (Futures), in consultation with the DMG has determined that it needs to stimulate demand in that DM Auction by allocating it an Auction Pool Risk Weighting of 3.

The following Auction Pool IM Values are allocated by ASX Clear (Futures) to each Auction Pool and the resulting Auction Pool Weightings using the applicable Auction Pool Risk Weightings are applied:

	<u>Auction Pool A</u>	<u>Auction Pool B</u>	<u>Auction Pool C</u>	<u>Auction Pool D</u>	<u>Total</u>
<u>Auction Pool IM Value</u>	<u>AUD 100,000,000</u>	<u>AUD 50,000,000</u>	<u>AUD 30,000,000</u>	<u>AUD 20,000,000</u>	<u>AUD 200,000,000</u>
<u>Auction Pool Risk Weighting</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>-</u>
<u>Risk Weighted IM Value</u>	<u>AUD 100,000,000</u>	<u>AUD 50,000,000</u>	<u>AUD 30,000,000</u>	<u>AUD 60,000,000</u>	<u>AUD 240,000,000</u>
<u>Auction Pool Weighting</u>	<u>0.4167</u>	<u>0.2083</u>	<u>0.1250</u>	<u>0.2500</u>	<u>1</u>

**Table 3: DM Auction Pool Weightings**

As can be seen in the above table, the Risk Weighted IM Value is simply the Auction Pool IM Value attributed to an Auction Pool multiplied by the Auction Pool Risk Weighting. The Auction Pool Weighting for an Auction Pool is the Risk Weighted IM Value for that Auction Pool divided by the sum of the Risk Weighted IM Values for all Auction Pools.

The Auction Pool Weighting is then applied to each OTC Participant's OTC Commitment to determine each OTC Participant's Weighted OTC Commitment in respect of a particular Auction Pool.

In this Default scenario all Non-Defaulting OTC Participants are Mandatory OTC Participants in respect of each Auction Pool. Each Non-Defaulting OTC Participant's OTC Commitment is consequently split across each Auction Pool as follows:

<u>Mandatory OTC Participant</u>	<u>Auction Pool A Weighted OTC Commitment Amount (AUD)</u>	<u>Auction Pool B Weighted OTC Commitment Amount (AUD)</u>	<u>Auction Pool C Weighted OTC Commitment Amount (AUD)</u>	<u>Auction Pool D Weighted OTC Commitment Amount (AUD)</u>	<u>Total OTC Commitment Amount (AUD)</u>
<u>Apple Bank</u>	<u>10,416,667</u>	<u>5,208,333</u>	<u>3,125,000</u>	<u>6,250,000</u>	<u>25,000,000</u>
<u>Orange Bank</u>	<u>5,416,667</u>	<u>2,708,333</u>	<u>1,625,000</u>	<u>3,250,000</u>	<u>13,000,000</u>

<u>Pear Bank</u>	<u>5,000,000</u>	<u>2,500,000</u>	<u>1,500,000</u>	<u>3,000,000</u>	<u>12,000,000</u>
<u>Peach Bank</u>	<u>4,166,667</u>	<u>2,083,333</u>	<u>1,250,000</u>	<u>2,500,000</u>	<u>10,000,000</u>
<u>Banana Bank</u>	<u>3,750,000</u>	<u>1,875,000</u>	<u>1,125,000</u>	<u>2,250,000</u>	<u>9,000,000</u>
<u>Tomato Bank</u>	<u>3,333,333</u>	<u>1,666,667</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>8,000,000</u>
<u>Olive Bank</u>	<u>2,916,667</u>	<u>1,458,333</u>	<u>875,000</u>	<u>1,750,000</u>	<u>7,000,000</u>
<u>Carrot Bank</u>	<u>2,500,000</u>	<u>1,250,000</u>	<u>750,000</u>	<u>1,500,000</u>	<u>6,000,000</u>
<b><u>Total</u></b>	<b><u>37,500,000</u></b>	<b><u>18,750,000</u></b>	<b><u>11,250,000</u></b>	<b><u>22,500,000</u></b>	<b><u>90,000,000</u></b>

**Table 4: OTC Commitment apportionment across Auction Pools**

The calculation of the apportionment of each OTC Participant's OTC Commitment across all Auction Pools as set out in Table 4 above is shown below using Apple Bank as an example.

Apple Bank has an OTC Commitment of AUD 25,000,000 which is required to be apportioned across the four Auction Pools. Although there are a number of ways to arrive at the same result, for the purposes of this illustration:

Weighted OTC Commitment Amount for a particular Auction Pool = (Risk Weighted IM Value for such Auction Pool ÷ sum of the Risk Weighted IM Values for each Auction Pool) x OTC Participant's OTC Commitment

Apple Bank's Weighted OTC Commitment Amount for:

Auction Pool A = (\$100m ÷ \$240m) x \$25m = \$10.416m

Auction Pool B = (\$50m ÷ \$240m) x \$25m = \$5.208m

Auction Pool C = (\$30m ÷ \$240m) x \$25m = \$3.125m

Auction Pool D = (\$60m ÷ \$240m) x \$25m = \$6.25m

The DM Auctions in respect of each Auction Pool take place and the submitted Bids were ranked from highest to lowest in accordance with Paragraph 5.3 (Priority Groups and Commitment Application Amounts) of Schedule 3 of the OTC Rulebook. The resulting order in relation to each Mandatory OTC Participant was as follows:

<u>Rank</u>	<u>DM Auction A</u>	<u>DM Auction B</u>	<u>DM Auction C</u>	<u>DM Auction D</u>
<u>Winner</u>	<u>Peach Bank</u>	<u>Apple Bank</u>	<u>Orange Bank</u>	<u>Banana Bank</u>
<u>2nd</u>	<u>Tomato Bank</u>	<u>Olive Bank</u>	<u>Tomato Bank</u>	<u>Pear Bank</u>

<u>3rd</u>	<u>Banana Bank</u>	<u>Banana Bank</u>	<u>Carrot Bank</u>	<u>Peach Bank</u>
<u>4th</u>	<u>Apple Bank</u>	<u>Orange Bank</u>	<u>Apple Bank</u>	<u>Tomato Bank</u>
<u>5th</u>	<u>Carrot Bank</u>	<u>Pear Bank</u>	<u>Pear Bank</u>	<u>Olive Bank</u>
<u>6th</u>	<u>Orange Bank</u>	<u>Peach Bank</u>	<u>Olive Bank</u>	<u>Carrot Bank</u>
<u>7th</u>	<u>Olive Bank</u>	<u>Carrot Bank</u>	<u>Peach Bank</u>	<u>Apple Bank</u>
<u>8th</u>	<u>Pear Bank</u>	<u>Tomato Bank</u>	<u>Banana Bank</u>	<u>Orange Bank</u>

**Table 5: DM Auction Bid Ranking**

Application of the respective OTC Commitments of each Mandatory OTC Participant calculated in Table 4 arrives at the following matrix of OTC Commitments ranked for the purpose of juniorisation. Each Non-Defaulting OTC Participant's OTC Commitment available for application in respect of each DM Auction is ranked according to their Bid in each of the DM Auctions:

<u>Rank</u>	<u>DM Auction A</u>		<u>DM Auction B</u>		<u>DM Auction C</u>		<u>DM Auction D</u>		<u>OTC Commitment available (AUD)</u>
<u>Win</u>	<u>Peach</u>	<u>4,166,667</u>	<u>Apple</u>	<u>5,208,333</u>	<u>Orange</u>	<u>1,625,000</u>	<u>Banana</u>	<u>2,250,000</u>	<u>13,250,000</u>
<u>2nd</u>	<u>Tomato</u>	<u>3,333,333</u>	<u>Olive</u>	<u>1,458,333</u>	<u>Tomato</u>	<u>1,000,000</u>	<u>Pear</u>	<u>3,000,000</u>	<u>8,791,667</u>
<u>3rd</u>	<u>Banana</u>	<u>3,750,000</u>	<u>Banana</u>	<u>1,875,000</u>	<u>Carrot</u>	<u>750,000</u>	<u>Peach</u>	<u>2,500,000</u>	<u>8,875,000</u>
<u>4th</u>	<u>Apple</u>	<u>10,416,667</u>	<u>Orange</u>	<u>2,708,333</u>	<u>Apple</u>	<u>3,125,000</u>	<u>Tomato</u>	<u>2,000,000</u>	<u>18,250,000</u>
<u>5th</u>	<u>Carrot</u>	<u>2,500,000</u>	<u>Pear</u>	<u>2,500,000</u>	<u>Pear</u>	<u>1,500,000</u>	<u>Olive</u>	<u>1,750,000</u>	<u>8,250,000</u>
<u>6th</u>	<u>Orange</u>	<u>5,416,667</u>	<u>Peach</u>	<u>2,083,333</u>	<u>Olive</u>	<u>875,000</u>	<u>Carrot</u>	<u>1,500,000</u>	<u>9,875,000</u>
<u>7th</u>	<u>Olive</u>	<u>2,916,667</u>	<u>Carrot</u>	<u>1,250,000</u>	<u>Peach</u>	<u>1,250,000</u>	<u>Apple</u>	<u>6,250,000</u>	<u>11,666,667</u>
<u>8th</u>	<u>Pear</u>	<u>5,000,000</u>	<u>Tomato</u>	<u>1,666,667</u>	<u>Banana</u>	<u>1,125,000</u>	<u>Orange</u>	<u>3,250,000</u>	<u>11,041,667</u>
<b><u>Total</u></b>		<b><u>37,500,000</u></b>		<b><u>18,750,000</u></b>		<b><u>11,250,000</u></b>		<b><u>22,500,000</u></b>	<b><u>90,000,000</u></b>

**Table 6: Multiple Highest Bidder Wins DM Auction Results**

In accordance with Paragraph 5.3 (Priority Groups and Commitment Application Amounts) of Schedule 3 of the OTC Rules ASX Clear (Futures) groups the OTC Participants into Priority Groups using these rankings, from those who provided the

lowest Bids to those who provided the highest Bids across all DM Auctions. The OTC Commitment of each Mandatory OTC Participant is then applied in sequential order across the Priority Groups from lowest ranking Priority Group to highest ranking Priority Group (i.e. those Mandatory OTC Participants whose Bids ranked 8<sup>th</sup> have their Weighted OTC Commitment Amount for such Auction Pool applied equally first which equals \$11,041,667). Assuming there was \$50,000,000 of Losses the following apportionment would occur amongst the Mandatory OTC Participants:

The Mandatory OTC Participants comprised in the lowest Priority Group (those Mandatory OTC Participants ranked 8<sup>th</sup> in Table 6) have their OTC Commitments applied first:

<u>Mandatory OTC Participant</u>	<u>DM Auction A Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction B Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction C Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction D Weighted OTC Commitment Amount (AUD)</u>	<u>Total OTC Commitment Amount applied (AUD)</u>
<u>Apple Bank</u>					
<u>Orange Bank</u>				<u>3,250,000</u>	<u>3,250,000</u>
<u>Pear Bank</u>	<u>5,000,000</u>				<u>5,000,000</u>
<u>Peach Bank</u>					
<u>Banana Bank</u>			<u>1,125,000</u>		<u>1,125,000</u>
<u>Tomato Bank</u>		<u>1,666,667</u>			<u>1,666,667</u>
<u>Olive Bank</u>					
<u>Carrot Bank</u>					
<b>Total</b>	<b><u>5,000,000</u></b>	<b><u>1,666,667</u></b>	<b><u>1,125,000</u></b>	<b><u>3,250,000</u></b>	<b><u>11,041,667</u></b>

**Table 7: Lowest Priority Group OTC Commitments applied first**

Following the application of the Weighted OTC Commitments of the Mandatory OTC Participants comprised in the lowest Priority Group, the Mandatory OTC Participants comprised in the second lowest Priority Group (those Mandatory OTC Participants ranked 7<sup>th</sup> in Table 6) have their Weighted OTC Commitments applied as shown below in Table 8:

<u>Mandatory OTC Participant</u>	<u>DM Auction A Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction B Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction C Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction D Weighted OTC Commitment Amount (AUD)</u>	<u>Total OTC Commitment Amount applied (AUD)</u>
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<u>Apple Bank</u>				<u>6,250,000</u>	<u>6,250,000</u>
<u>Orange Bank</u>				<u>3,250,000</u>	<u>3,250,000</u>
<u>Pear Bank</u>	<u>5,000,000</u>				<u>5,000,000</u>
<u>Peach Bank</u>			<u>1,250,000</u>		<u>1,250,000</u>
<u>Banana Bank</u>			<u>1,125,000</u>		<u>1,125,000</u>
<u>Tomato Bank</u>		<u>1,666,667</u>			<u>1,666,667</u>
<u>Olive Bank</u>	<u>2,916,667</u>				<u>2,916,667</u>
<u>Carrot Bank</u>		<u>1,250,000</u>			<u>1,250,000</u>
<b><u>Total</u></b>	<b><u>7,916,667</u></b>	<b><u>2,916,667</u></b>	<b><u>2,375,000</u></b>	<b><u>9,500,000</u></b>	<b><u>22,708,334</u></b>

**Table 8: 8<sup>th</sup> and 7<sup>th</sup> highest ranked Priority Group OTC Commitment Loss allocation**

The Weighted OTC Commitments of the Mandatory OTC Participants comprised in the next highest Priority Group (those ranked 6<sup>th</sup> in Table 6) are then applied as follows:

<b><u>Mandatory OTC Participant</u></b>	<b><u>DM Auction A Weighted OTC Commitment Amount (AUD)</u></b>	<b><u>DM Auction B Weighted OTC Commitment Amount (AUD)</u></b>	<b><u>DM Auction C Weighted OTC Commitment Amount (AUD)</u></b>	<b><u>DM Auction D Weighted OTC Commitment Amount (AUD)</u></b>	<b><u>Total OTC Commitment Amount applied (AUD)</u></b>
<u>Apple Bank</u>				<u>6,250,000</u>	<u>6,250,000</u>
<u>Orange Bank</u>	<u>5,416,667</u>			<u>3,250,000</u>	<u>8,666,667</u>
<u>Pear Bank</u>	<u>5,000,000</u>				<u>5,000,000</u>
<u>Peach Bank</u>		<u>2,083,333</u>	<u>1,250,000</u>		<u>3,333,333</u>
<u>Banana Bank</u>			<u>1,125,000</u>		<u>1,125,000</u>
<u>Tomato Bank</u>		<u>1,666,667</u>			<u>1,666,667</u>
<u>Olive Bank</u>	<u>2,916,667</u>		<u>875,000</u>		<u>3,791,667</u>
<u>Carrot Bank</u>		<u>1,250,000</u>		<u>1,500,000</u>	<u>2,750,000</u>
<b><u>Total</u></b>	<b><u>13,333,334</u></b>	<b><u>5,000,000</u></b>	<b><u>3,250,000</u></b>	<b><u>11,000,000</u></b>	<b><u>32,583,334</u></b>

**Table 9: 8<sup>th</sup>, 7<sup>th</sup> and 6<sup>th</sup> highest ranked Priority Group OTC Commitment Loss Allocation**

The Weighted OTC Commitments of the Mandatory OTC Participants comprised in the next highest Priority Group (those ranked 5<sup>th</sup> in Table 6) are then applied as follows:

<u>Mandatory OTC Participant</u>	<u>DM Auction A Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction B Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction C Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction D Weighted OTC Commitment Amount (AUD)</u>	<u>Total OTC Commitment Amount applied (AUD)</u>
Apple Bank				6,250,000	6,250,000
Orange Bank	5,416,667			3,250,000	8,666,667
Pear Bank	5,000,000	2,500,000	1,500,000		9,000,000
Peach Bank		2,083,333	1,250,000		3,333,333
Banana Bank			1,125,000		1,125,000
Tomato Bank		1,666,667			1,666,667
Olive Bank	2,916,667		875,000	1,750,000	5,541,667
Carrot Bank	2,500,000	1,250,000		1,500,000	5,250,000
<b>Total</b>	<b>15,833,334</b>	<b>7,500,000</b>	<b>4,750,000</b>	<b>12,750,000</b>	<b>40,833,334</b>

Table 10: 8<sup>th</sup>, 7<sup>th</sup>, 6<sup>th</sup> and 5<sup>th</sup> highest ranked Priority Group OTC Commitment Loss Allocation

As there is a total of AUD 50,000,000 Loss, following the application of OTC Commitment for each of the 4 lowest Priority Groups, the remaining Loss is less than the OTC Commitment available for application across the next highest Priority Group. The remaining Loss is applied proportionately across each Mandatory OTC Participant's Weighted OTC Commitment Amount for each Auction Pool allocated to such Priority Group.

The remaining Loss is \$50,000,000 - \$40,883,334 = \$9,166,667.

The Weighted OTC Commitments of the Mandatory OTC Participants comprised in the 4th highest Priority Group are applied in the same ratio as they have at risk in that Priority Group.

<u>DM Auction</u>	<u>Mandatory OTC Participant</u>	<u>Weighted OTC Commitment Amount at risk (AUD)</u>	<u>Weighted OTC Commitment Amount applied (AUD)</u>
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<u>A</u>	<u>Apple Bank</u>	<u>10,416,667</u>	<u>5,232,116</u>
<u>B</u>	<u>Orange Bank</u>	<u>2,708,333</u>	<u>1,360,350</u>
<u>C</u>	<u>Apple Bank</u>	<u>3,125,000</u>	<u>1,569,635</u>
<u>D</u>	<u>Tomato Bank</u>	<u>2,000,000</u>	<u>1,004,566</u>
	<b><u>Total</u></b>	<b><u>18,250,000</u></b>	<b><u>9,166,667</u></b>

**Table 11: Application and apportionment of OTC Commitment to 4<sup>th</sup> placed bidders in the DM Auctions**

When applied to the juniorisation matrix it results in an application of the Weighted OTC Commitment of each Mandatory OTC Participant to meet the entire AUD 50,000,000 of Losses as follows:

<u>Mandatory OTC Participant</u>	<u>DM Auction A Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction B Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction C Weighted OTC Commitment Amount (AUD)</u>	<u>DM Auction D Weighted OTC Commitment Amount (AUD)</u>	<u>Total OTC Commitment Amount applied (AUD)</u>
<u>Apple Bank</u>	<u>5,232,116</u>		<u>1,569,635</u>	<u>6,250,000</u>	<u>13,051,751</u>
<u>Orange Bank</u>	<u>5,416,667</u>	<u>1,360,350</u>		<u>3,250,000</u>	<u>10,027,017</u>
<u>Pear Bank</u>	<u>5,000,000</u>	<u>2,500,000</u>	<u>1,500,000</u>		<u>9,000,000</u>
<u>Peach Bank</u>		<u>2,083,333</u>	<u>1,250,000</u>		<u>3,333,333</u>
<u>Banana Bank</u>			<u>1,125,000</u>		<u>1,125,000</u>
<u>Tomato Bank</u>		<u>1,666,667</u>		<u>1,004,566</u>	<u>2,671,233</u>
<u>Olive Bank</u>	<u>2,916,667</u>		<u>875,000</u>	<u>1,750,000</u>	<u>5,541,667</u>
<u>Carrot Bank</u>	<u>2,500,000</u>	<u>1,250,000</u>		<u>1,500,000</u>	<u>5,250,000</u>
<b><u>Total</u></b>	<b><u>21,065,450</u></b>	<b><u>8,860,350</u></b>	<b><u>6,319,635</u></b>	<b><u>13,754,566</u></b>	<b><u>50,000,001</u></b>

**Table 12: Weighted OTC Commitment contributions following Juniorisation**

### **3 Multiple Highest Bidder Wins Auction Format DM Auctions where one OTC Participant is not a Mandatory OTC Participant in respect of all Auction Pools**

Assume that ASX Clear (Futures) determines that four Auction Pools should be created in respect of a Defaulted OTC Participant in accordance with Paragraph 4.3 (Auction Pools and Auction Pool Weighting) of Schedule 3 of the OTC Rules.

Assume that Carrot Bank is not a Mandatory OTC Participant in respect of Auction Pool C and Auction Pool D as, in accordance with Paragraph 4.5 (Mandatory OTC Participants) of Schedule 3 of the OTC Rules, at the time of default of the Defaulted OTC Participant they did not have any OTC Open Contracts in the relevant Auction Pools. However, Carrot Bank is a Mandatory OTC Participant in respect of Auction Pool A and Auction Pool B, and as such their OTC Commitment is applied across those Auction Pools only.

The allocation of Carrot Bank's OTC Commitment across two Auction Pools only alters the allocation of the OTC Commitment of the other OTC Participants across the four Auction Pools. The Weighted OTC Commitment Amounts for each OTC Participant across the Auction Pools is shown in Table 13 below.

<u>OTC Participant</u>	<u>Auction Pool A Weighted OTC Commitment Amount (AUD)</u>	<u>Auction Pool B Weighted OTC Commitment Amount (AUD)</u>	<u>Auction Pool C Weighted OTC Commitment Amount (AUD)</u>	<u>Auction Pool D Weighted OTC Commitment Amount (AUD)</u>	<u>Total OTC Commitment Amount (AUD)</u>
<u>Apple Bank</u>	<u>9,970,238.10</u>	<u>4,985,119.05</u>	<u>3,348,214</u>	<u>6,696,429</u>	<u>25,000,000</u>
<u>Orange Bank</u>	<u>5,184,523.81</u>	<u>2,592,261.90</u>	<u>1,741,071</u>	<u>3,482,143</u>	<u>13,000,000</u>
<u>Pear Bank</u>	<u>4,785,714.29</u>	<u>2,392,857.14</u>	<u>1,607,143</u>	<u>3,214,286</u>	<u>12,000,000</u>
<u>Peach Bank</u>	<u>3,988,095.24</u>	<u>1,994,047.62</u>	<u>1,339,286</u>	<u>2,678,571</u>	<u>10,000,000</u>
<u>Banana Bank</u>	<u>3,589,285.71</u>	<u>1,794,642.86</u>	<u>1,205,357</u>	<u>2,410,714</u>	<u>9,000,000</u>
<u>Tomato Bank</u>	<u>3,190,476.19</u>	<u>1,595,238.10</u>	<u>1,071,429</u>	<u>2,142,857</u>	<u>8,000,000</u>
<u>Olive Bank</u>	<u>2,791,666.67</u>	<u>1,395,833.33</u>	<u>937,500</u>	<u>1,875,000</u>	<u>7,000,000</u>
<u>Carrot Bank</u>	<u>4,000,000</u>	<u>2,000,000</u>	<u>0</u>	<u>0</u>	<u>6,000,000</u>
<b><u>Total</u></b>	<b><u>37,500,000</u></b>	<b><u>18,750,000</u></b>	<b><u>11,250,000</u></b>	<b><u>22,500,000</u></b>	<b><u>90,000,000</u></b>

**Table 13: Weighted OTC Commitment allocation for Juniorisation**

ASX Clear (Futures) may adjust the Weighted OTC Commitment Amounts of each OTC Participant to take into account the re-weighting which it determines is required in accordance with Paragraph 5.2 (Weighted OTC Commitment Amount) of Schedule 3 of the OTC Rules. The adjustments required may be achieved in multiple ways but for the purposes of illustration one method is described below.

Firstly the OTC Commitment of the OTC Participant that is not a Mandatory OTC Participant in respect of an Auction Pool is attributed to each Auction Pool in which it is a Mandatory OTC Participant.

The OTC Commitment of Carrot Bank is required to be apportioned across two Auction Pools only. The Auction Pool Weighting for each of Auction Pools A and B for Carrot Bank is calculated in accordance with the procedures set out in paragraph 5.2 (Weighted OTC Commitment Amount) of Schedule 3 of the OTC Rules as if the only Auction Pools were Auction Pools A and B. It is then applied to determine the Weighted OTC Commitment Amount for Carrot Bank:



Carrot Bank's Weighted OTC Commitment Amount for:

Auction Pool A = (\$100m ÷ \$150m) × \$6m = \$4m

Auction Pool B = (\$50m ÷ \$150m) × \$6m = \$2m

Following these calculations, the Auction Pool Weighting for each Auction Pool in respect of each other OTC Participant is then calculated after allowing for Carrot Bank's "skewed" application of its OTC Commitment:

Auction Pool Weighting for Auction Pool A = (total Weighted OTC Commitment Amounts for Auction Pool A – Weighted OTC Commitment Amounts already applied) ÷ (Total OTC Commitments of all Non-Defaulting OTC Participants – OTC Commitments already allocated)

(\$37.5m - \$4m) ÷ (\$90m - \$6m) = 0.3988

The Auction Pool Weighting is then applied in accordance with the procedures set out in paragraph 5.2 of Schedule 3 of the OTC Rules to determine the Weighted OTC Commitment Amount of each remaining Mandatory OTC Participant for each Auction Pool:

Apple Bank's Weighted OTC Commitment Amount for Auction Pool A = 0.3988 × \$25m = \$9.970m

Orange Bank's Weighted OTC Commitment Amount for Auction Pool B = 0.3988 × \$13m = \$5.184m

This process is continued for each Mandatory OTC Participant and for each Auction Pool.

Following completion of each DM Auction the OTC Commitment of each Mandatory OTC Participant is then ranked and allocated to Priority Groups before being applied according to the process set out in Example 2 above.

In order to ensure that the OTC Commitment of each OTC Participant is applied equally across and between Priority Groups, in situations where an OTC Participant is not deemed to be a Mandatory OTC Participant for a particular Auction Pool, ASX Clear (Futures), in consultation with the DMG, may also determine a ranking "placeholder" for each such OTC Participant. Assuming it was determined that Carrot Bank would be placed in the 8<sup>th</sup> and the 5<sup>th</sup> position for DM Auctions C and D respectively. The juniorisation matrix would look as follows.

<u>Rank</u>	<u>DM Auction A</u>		<u>DM Auction B</u>		<u>DM Auction C</u>		<u>DM Auction D</u>		<u>OTC Commitment available (AUD)</u>
<u>Win</u>	<u>Peach</u>	<u>3,988,095</u>	<u>Apple</u>	<u>4,985,119</u>	<u>Orange</u>	<u>1,741,071</u>	<u>Banana</u>	<u>2,410,714</u>	<u>13,125,000</u>
<u>2nd</u>	<u>Tomato</u>	<u>3,190,476</u>	<u>Olive</u>	<u>1,395,833</u>	<u>Tomato</u>	<u>1,071,429</u>	<u>Pear</u>	<u>3,214,286</u>	<u>8,872,024</u>
<u>3rd</u>	<u>Banana</u>	<u>3,589,286</u>	<u>Banana</u>	<u>1,794,643</u>	<u>Apple</u>	<u>3,348,214</u>	<u>Peach</u>	<u>2,678,571</u>	<u>11,410,714</u>

4th	<a href="#">Apple</a>	<a href="#">9,970,238</a>	<a href="#">Orange</a>	<a href="#">2,592,262</a>	<a href="#">Pear</a>	<a href="#">1,607,143</a>	<a href="#">Tomato</a>	<a href="#">2,142,857</a>	<a href="#">16,312,500</a>
5th	<a href="#">Carrot</a>	<a href="#">4,000,000</a>	<a href="#">Pear</a>	<a href="#">2,392,857</a>	<a href="#">Olive</a>	<a href="#">937,500</a>	<a href="#">N/A</a>	<a href="#">N/A</a>	<a href="#">7,330,357</a>
6th	<a href="#">Orange</a>	<a href="#">5,184,524</a>	<a href="#">Peach</a>	<a href="#">1,994,048</a>	<a href="#">Peach</a>	<a href="#">1,339,286</a>	<a href="#">Olive</a>	<a href="#">1,875,000</a>	<a href="#">10,392,857</a>
7th	<a href="#">Olive</a>	<a href="#">2,791,667</a>	<a href="#">Carrot</a>	<a href="#">2,000,000</a>	<a href="#">Banana</a>	<a href="#">1,205,357</a>	<a href="#">Apple</a>	<a href="#">6,696,429</a>	<a href="#">12,693,452</a>
8th	<a href="#">Pear</a>	<a href="#">4,785,714</a>	<a href="#">Tomato</a>	<a href="#">1,595,238</a>	<a href="#">N/A</a>	<a href="#">N/A</a>	<a href="#">Orange</a>	<a href="#">3,482,143</a>	<a href="#">9,863,095</a>
	<b><a href="#">Total</a></b>	<b><a href="#">37,500,000</a></b>		<b><a href="#">18,750,000</a></b>		<b><a href="#">11,250,000</a></b>		<b><a href="#">22,500,000</a></b>	<b><a href="#">90,000,000</a></b>

**4 One Multi-Unit Auction Format DM Auction and 3 Highest Bidder Wins Auction Format DM Auctions.**

Continuing with the assumption that ASX Clear (Futures) has determined that there are to be four Auction Pools and that Carrot Bank is not a Mandatory OTC Participant in respect of Auction Pools C and D. However, in this scenario ASX Clear (Futures) has determined that DM Auction A will be held in a Multi-Unit Auction Format.

It is decided that the following attributes will be assigned to DM Auction A:

<a href="#">Multiplier</a>	<a href="#">1.40</a>
<a href="#">Auction Unit size (AUD)</a>	<a href="#">2,500,000</a>
<a href="#">Weighted Number of Auction Units</a>	<a href="#">56</a>

**Table 15: Attributes of DM Auction A**

A multiplier is applied to ensure that the number of Auction Units which may be Bid for is greater than the number of Auction Units in the Auction Pool.

For the purposes of this example it is assumed that the value of Initial Margin of the Defaulted OTC Participant for Auction Pool A is \$100,000,000 (see Table 3).

The Weighted Number of Auction Units available to be Bid for in DM Auction A is determined according to the following formula:

Weighted Number of Auction Units = value of Initial Margin of the Defaulted OTC Participant for Auction Pool A ÷ Auction Unit size x multiplier.

For DM Auction A the Weighted Number of Auction Units = \$100,000,000 ÷ 2,500,000 x 1.40 = 56

Using the Proportionate Initial Margin Value allocated to each Mandatory OTC Participant for Auction Pool A by ASX Clear (Futures) and the Weighted Number of

Auction Units for such Auction Pool, the minimum number of Auctions Units required to be Bid for by each OTC Participant can be determined. Taking Apple Bank as an example:

Minimum Number of Auction Units for Apple Bank = Proportionate Initial Margin Value for Apple Bank ÷ sum of Proportional Initial Margin Values for all Mandatory OTC Participants for DM Auction A x Weighted Number of Auction Units for DM Auction A

135,000,000 ÷ 500,000,000 x 56 = 15.12 (rounded up to 16 for the purposes of the DM Auction)

Below is Table 16 showing the rounded Minimum Number of Auction Units required to be Bid for by each Mandatory OTC Participant in DM Auction A.

<u>Mandatory OTC Participant</u>	<u>Proportionate Initial Margin Value (AUD)</u>	<u>Minimum Number of Auction Units required to be Bid for</u>	<u>Rounded Minimum Number of Auction Units required to be Bid for</u>
<u>Apple Bank</u>	<u>135,000,000</u>	<u>15.12</u>	<u>16</u>
<u>Orange Bank</u>	<u>70,000,000</u>	<u>7.84</u>	<u>8</u>
<u>Pear Bank</u>	<u>65,000,000</u>	<u>7.28</u>	<u>8</u>
<u>Peach Bank</u>	<u>55,000,000</u>	<u>6.16</u>	<u>7</u>
<u>Banana Bank</u>	<u>50,000,000</u>	<u>5.60</u>	<u>6</u>
<u>Tomato Bank</u>	<u>39,000,000</u>	<u>4.37</u>	<u>5</u>
<u>Olive Bank</u>	<u>35,000,000</u>	<u>3.92</u>	<u>4</u>
<u>Carrot Bank</u>	<u>51,000,000</u>	<u>5.71</u>	<u>6</u>
<b><u>Total</u></b>	<b><u>500,000,000</u></b>	<b><u>56</u></b>	<b><u>60</u></b>

**Table 16: Minimum Number of Auction Units to be Bid for in DM Auction A, a Multi-Unit Auction Format DM Auction**

When DM Auction A was completed the following result occurred (in order of highest Bid value submitted) (Table 17).

<u>Mandatory OTC Participant</u>	<u>Auction Units won</u>
<u>Peach Bank</u>	<u>7</u>
<u>Tomato Bank</u>	<u>5</u>

<a href="#">Banana Bank</a>	<a href="#">6</a>
<a href="#">Apple Bank</a>	<a href="#">16</a>
<a href="#">Carrot Bank</a>	<a href="#">6</a>
<a href="#">Orange Bank</a>	<a href="#">-</a>
<a href="#">Olive Bank</a>	<a href="#">-</a>
<a href="#">Pear Bank</a>	<a href="#">-</a>
<b><a href="#">Total</a></b>	<b><a href="#">40</a></b>

**Table 17: DM Auction A results, Auction Units won, per Mandatory OTC Participant**

The allocation of OTC Commitments for the purpose of juniorisation is unaffected by the type of DM Auction. Each Bid is still ranked according to price and allocated according to the Auction Pool Weighting for that DM Auction. If an OTC Participant were to submit multiple Bids then the lowest Bid submitted would be used to for the purposes of calculating the juniorisation of their OTC Commitment (note this would not be used for purposes of determining any winning Bid). Multi-Unit Auction Format DM Auctions will only affect the size of the portfolio won by each winner in the DM Auction as multiple winners share the portfolio.

These results are summarised in Table 18.

<a href="#">DM Auction A</a>		<a href="#">DM Auction B</a>		<a href="#">DM Auction C</a>		<a href="#">DM Auction D</a>		<a href="#">Rank</a>		<a href="#">Priority Group application of Loss (AUD)</a>
<a href="#">Peach</a>	<a href="#">3,988,095</a>	<a href="#">Apple</a>	<a href="#">4,985,119</a>	<a href="#">Orange</a>	<a href="#">1,741,071</a>	<a href="#">Banana</a>	<a href="#">2,410,714</a>	<a href="#">Winner</a>	<a href="#">13,125,000</a>	<a href="#">90,000,000</a>
<a href="#">Tomato</a>	<a href="#">3,190,476</a>	<a href="#">Olive</a>	<a href="#">1,395,833</a>	<a href="#">Tomato</a>	<a href="#">1,071,429</a>	<a href="#">Pear</a>	<a href="#">3,214,286</a>	<a href="#">2nd</a>	<a href="#">8,872,024</a>	<a href="#">76,875,000</a>
<a href="#">Banana</a>	<a href="#">3,589,286</a>	<a href="#">Banana</a>	<a href="#">1,794,643</a>	<a href="#">Carrot</a>		<a href="#">Peach</a>	<a href="#">2,678,571</a>	<a href="#">3rd</a>	<a href="#">8,062,500</a>	<a href="#">68,002,976</a>
<a href="#">Apple</a>	<a href="#">9,970,238</a>	<a href="#">Orange</a>	<a href="#">2,592,262</a>	<a href="#">Apple</a>	<a href="#">3,348,214</a>	<a href="#">Tomato</a>	<a href="#">2,142,857</a>	<a href="#">4th</a>	<a href="#">18,053,571</a>	<a href="#">59,940,476</a>
<a href="#">Carrot</a>	<a href="#">4,000,000</a>	<a href="#">Pear</a>	<a href="#">2,392,857</a>	<a href="#">Pear</a>	<a href="#">1,607,143</a>	<a href="#">Olive</a>	<a href="#">1,875,000</a>	<a href="#">5th</a>	<a href="#">9,875,000</a>	<a href="#">41,886,905</a>
<a href="#">Orange</a>	<a href="#">5,184,524</a>	<a href="#">Peach</a>	<a href="#">1,994,048</a>	<a href="#">Olive</a>	<a href="#">937,500</a>	<a href="#">Carrot</a>		<a href="#">6th</a>	<a href="#">8,116,071</a>	<a href="#">32,011,905</a>
<a href="#">Olive</a>	<a href="#">2,791,667</a>	<a href="#">Carrot</a>	<a href="#">2,000,000</a>	<a href="#">Peach</a>	<a href="#">1,339,286</a>	<a href="#">Apple</a>	<a href="#">6,696,429</a>	<a href="#">7th</a>	<a href="#">12,827,381</a>	<a href="#">23,895,833</a>
<a href="#">Pear</a>	<a href="#">4,785,714</a>	<a href="#">Tomato</a>	<a href="#">1,595,238</a>	<a href="#">Banana</a>	<a href="#">1,205,357</a>	<a href="#">Orange</a>	<a href="#">3,482,143</a>	<a href="#">8th</a>	<a href="#">11,068,452</a>	<a href="#">11,068,452</a>
<b><a href="#">Total</a></b>	<b><a href="#">37,500,000</a></b>	<b><a href="#">-</a></b>	<b><a href="#">18,750,000</a></b>	<b><a href="#">-</a></b>	<b><a href="#">11,250,000</a></b>	<b><a href="#">-</a></b>	<b><a href="#">22,500,000</a></b>	<b><a href="#">-</a></b>	<b><a href="#">90,000,000</a></b>	

**Table 18: Summary Results**

## Schedule 6 – Allocation of Loss Worked Example

### 1 Allocation of Loss following default management process

Below is a worked example of how Losses may be allocated following the default management process:

	<u>House</u>	<u>Client 1</u>	<u>Client 2</u>	<u>Client 3</u>	<u>Totals</u>	<u>Notes</u>
<u>T<sub>0</sub> IM (Assumed*)</u>	<u>500</u>	<u>100</u>	<u>200</u>	<u>200</u>	<u>1000</u>	<u>1</u>
<i>House Positions and Client1 Positions hedged immediately</i>						
<u>Δ in NPV IM T<sub>0</sub> → T<sub>2</sub></u>	<u>-200</u>		<u>50</u>	<u>-100</u>	<u>-250</u>	<u>2</u>
<u>T<sub>2</sub> Hypothetical IM (after entry into of certain DM Hedging Transactions)</u>	<u>400</u>					<u>3</u>
<i>Client2 Positions and Client3 Positions added to combined portfolio at end of day 2</i>						
<u>Δ in NPV IM T<sub>2</sub> → T<sub>n</sub> (Assumed*)</u>		<u>-250</u>			<u>-250</u>	<u>4</u>
<u>Δ in NPV IM T<sub>0</sub> → T<sub>n</sub></u>					<u>-500</u>	<u>5</u>
-						
<u>DM Auction costs (Assumed*)</u>		<u>-100</u>			<u>-100</u>	<u>6</u>
<u>Total costs</u>					<u>-600</u>	<u>7</u>
-						
<u>Split as follows</u>						
<u>Δ in NPV IM T<sub>2</sub> → T<sub>n</sub> + DM Auction costs</u>	<u>-175</u>		<u>-87.5</u>	<u>-87.5</u>	<u>-350</u>	<u>8</u>
-						
<u>Δ in NPV IM T<sub>0</sub> → T<sub>2</sub></u>	<u>-200</u>		<u>50</u>	<u>-100</u>	<u>-250</u>	<u>9</u>
<u>Total</u>	<u>-375</u>		<u>-37.5</u>	<u>-187.5</u>	<u>-600</u>	<u>10</u>
-						
<u>Allocate Losses to House Positions &amp; Client Positions based on original IM</u>	<u>-312.5</u>	<u>-62.5</u>	<u>-37.5</u>	<u>-187.5</u>		<u>11</u>
<u>Return of funds</u>	<u>187.5</u>	<u>37.5</u>	<u>162.5</u>	<u>12.5</u>	<u>400</u>	<u>12</u>

Notes on above table

T<sub>0</sub> Day of Default of the Clearing Participant

T<sub>n</sub> Day of successful close-out

\* Values labelled "Assumed" are example values made up for this illustration

1. Assume that ASX Clear (Futures) is holding AUD 1,000 of Initial Margin (IM) split between the House Account and the Client Account of the Defaulted Clearing Participant. The House Positions of the Defaulted Clearing Participant and Client

Positions of Client 1 are subject to Termination while Client 2 and Client 3 have nominated Alternate Clearing Participants for the transfer of their Client Positions. The amount of IM is the amount of IM that was due at the last margin call. If the Default of the Clearing Participant was due to a failure to pay the applicable amount of IM relating to that margin call then any shortfall will be deducted from any returned amounts, see note 12.

2. On day 2, the Variation Margin of the aggregated portfolio of House Positions and Client Positions of Client 1 has decreased by AUD 200. Client 2 and Client 3 have a gain of 50 and a loss of 100 respectively in respect of their Client Positions.
3. At end of  $T_2$  the hypothetical IM of the aggregated portfolio of House Positions and all Client 1 Client Positions after the entry into of some DM Hedging Transactions is AUD 400, while the actual IM of Client 2 and Client 3 remains at AUD 200, giving a total IM at the end of  $T_2$  of AUD 800. At this point assume that neither Client 2 nor Client 3 is accepted by an Alternate Clearing Participant and the respective Client Positions are added to the overall portfolio of the Defaulted Clearing Participant.
4. Between the end of  $T_2$ , and  $T_n$ , the combined portfolio of House Positions and Client Positions loses another AUD 250.
5. The total NPV IM Loss since the Clearing Participant Defaulted is AUD 500.
6. Assume DM Auction costs, including the cost of entering into DM Hedging Transactions are AUD 100.
7. Total Losses equal the change in NPV IM of AUD 500 plus DM Auction costs of AUD 100, totalling AUD 600. This leaves AUD 400 remaining to share between the House Account and the 3 Individual Sub-Accounts for each Client.
8. For the period  $T_2$  to  $T_n$  the change in NPV IM (-250) and DM Auction costs (-100) are allocated based on the IM held as detailed in Note 3. In this example, AUD 350 is split accordingly. To elaborate, the House Positions and the Client Positions of Client 1 incur a change in NPV of  $(400 \div 800) \times 350 = -175$ , the Client Positions of Client 2 incur a change in NPV of  $(200 \div 800) \times 350 = -87.5$  and the Client Positions of Client 3 incur a change in NPV of  $(200 \div 800) \times 350 = -87.5$ .
9. For the period  $T_0$  to  $T_n$ , the Losses are brought down as shown in Row 2
10. Total Losses to be allocated is calculated as follows: the combined House Positions and Client 1 Positions the Losses allocated = (NPV IM  $T_0$  to  $T_2$ ) (see note 2) + (NPV IM  $T_2$  to  $T_n$  + DM Auction costs) (see note 8). So in this example, Total Losses of -600 will be apportioned as follows: House and Client 1 combined Losses allocated =  $-200 - 175 = -375$ , Client 2 Losses allocated =  $50 - 87.5 = -37.5$ , Client 3 Losses allocated =  $-100 - 87.5 = -187.5$ .
11. For the House Positions and Client Positions of Client 1, the Losses are allocated as per the original ratio of IM held. In this example, Losses allocated to the House Positions are  $(500 \div 600) \times -375 = -312.5$  and Losses allocated to the Client 1 Positions are  $(100 \div 600) \times -375 = -62.5$
12. The total to return to each account administrator (Original IM (Row1) less Loss allocation (Row 11)). If the Clearing Participant Default was due to a failure to pay a margin call, the shortfall would be deducted from the returned funds.

# Schedule ~~5~~7 – Procedures for the OTC Product Committee

## 1 Scope of Application and Definitions

The following procedures (referred to as the **Committee Procedures**) will apply to the OTC Product Committee (referred to as the **Committee**).

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

Paragraphs of these Committee Procedures are referred to as Paragraphs.

## 2 Committee Members

### 2.1 Committee Members

Each OTC Participant may nominate a single representative for the Committee (each referred to as a **Committee Member**).

However, a person may not be nominated to be a Committee Member unless that person:

- (a) has appropriate expertise and experience in relation to the matters to be considered by the Committee; and
- (b) is acceptable to ASX Clear (Futures) in its reasonable discretion.

If ASX Clear (Futures) rejects a Committee Member nominated by an OTC Participant then the OTC Participant may nominate a replacement for consideration by ASX Clear (Futures).

### 2.2 ASX Appointees

ASX Clear (Futures) may select and appoint any number of further Committee Members in its sole discretion, where this is necessary in order for ASX Clear (Futures) to meet requirements under applicable law with respect to the composition of the Committee.

### 2.3 Change of Committee Members

An OTC Participant may, at any time, notify ASX Clear (Futures), that it intends to change its nominated Committee Member by nominating a replacement nominee in accordance with Paragraph 2.1 (Committee Members). Once accepted by ASX Clear (Futures), the replacement nominee replaces the previous nominee on the Committee.

### 2.4 Related bodies corporate

If two or more OTC Participants are or become related bodies corporate, as determined by ASX Clear (Futures), such OTC Participants are entitled to appoint only one single Committee Member. If at any time OTC Participants (which are related bodies corporate) have appointed more than one Committee Member, such OTC Participants will promptly notify ASX Clear (Futures) of the single Committee Member who will represent them in the future.

## 2.5 Chairman

From time to time the Committee will appoint a Committee Member by majority vote to serve as chairman (referred to as the **Chairman**). Such appointment will be for a period determined by ASX Clear (Futures). If the Chairman ceases to be a Committee Member or resigns, a new Chairman will be appointed by the Committee.

## 2.6 Committee Secretary

ASX Clear (Futures) will serve as the secretary of the Committee (referred to as the **Committee Secretary**) and will perform administrative duties.

## 2.7 Suspension of Membership

A Committee Member will be suspended from its capacity as Committee Member upon the occurrence of a Default in relation to the OTC Participant which has nominated such Committee Member.

## 3 Convening the Committee

### 3.1 Meeting and Notice

The Committee Secretary will convene a meeting of the Committee (referred to as a **Meeting**):

- (a) at the request of the Chairman or any two Committee Members (provided such request is accompanied by a draft Agenda (as defined below) for such Meeting); and
- (b) at its own discretion,

by delivering notice (referred to as a **Notice**) in accordance with this Paragraph 3. Meetings will be held at a location as determined by the Committee Secretary. Any Committee Members who do not attend in person may participate by telephone or video conference.

### 3.2 Urgent Matters

The Committee Secretary may convene a Meeting upon such notice and in such manner as it determines, in order to consider any matter which it determines requires the urgent attention of the Committee.

### 3.3 Participating Committee Member

The Committee Members attending a respective Meeting (either in person or by telephone or video conference) are each referred to as a **Participating Committee Member**.

### 3.4 Proxies

The Chairman may make such arrangements for the appointment of proxies (including setting out the terms on which such proxies may vote or constitute a quorum) as it in its discretion determines.



## 4 Quorum

The quorum for a valid Meeting will be one third of all Committee Members (referred to as the **Quorum**).

In the event that a Quorum is not present at the start of and throughout a duly convened Meeting, such Meeting will be adjourned by the Chairman to the next following Business Day or such other day as is agreed with the Committee Secretary. A Quorum at such adjourned Meeting will consist of the Participating Committee Members provided that notice of the Meeting has been given to all Committee Members in accordance with Paragraph 3 (Convening the Committee).

## 5 Voting

All decisions and recommendations made by the Committee will be made at a Meeting by majority vote of the Participating Committee Members.

For the purpose of all voting procedures each Participating Committee Member will have one single vote. In the event that any vote is tied, the Chairman will have the casting vote.

## 6 Participation of Employees

A Committee Member may invite one employee of the OTC Participant which it is representing (or of a related bodies corporate) to participate in a Meeting in respect of which such employee has particular expertise. The Committee Member may, by notice to the Chairman, delegate the authority to vote on its behalf on a particular issue to any such employee.

ASX Clear (Futures) will send employees to Meetings in order to perform its function as Committee Secretary. The Committee may invite further employees and members of corporate bodies of ASX Clear (Futures) to Meetings.

## 7 Minutes and Statements

### 7.1 Committee Minutes

Minutes will be taken of all Meetings (referred to as the **Committee Minutes**) by the Committee Secretary.

### 7.2 Committee Statements

The Committee may appoint one or more Committee Members to prepare, on behalf of the Committee, any proposal, response, statement or other document setting out the views of the Committee with respect to any relevant matter (referred to as a **Committee Statement**). The Chairman may refer the Committee Statement to a Meeting for approval or may, if the Chairman is satisfied that the Committee Statement represents the views of the majority of Committee Members after circulating such Statement to the Committee Members, deliver such Committee Statement to ASX Clear (Futures) for incorporation into the Committee Minutes and will be taken to set out the view of the Committee.

## 8 Compensation

Each OTC Participant will be responsible for the costs associated with its Committee Member's participation in the Committee and will not be entitled to demand or receive any fee or compensation from ASX Clear (Futures) for such participation.

## 9 Confidentiality

Except as expressly contemplated in these Committee Procedures or as required by applicable law or court order or by a regulatory, self-regulatory or supervising authority having appropriate jurisdiction, each OTC Participant agrees and procures that its relevant Committee Member agrees:

- (a) to maintain confidentiality as to all aspects of the Committee, including any discussions, deliberations, proceedings or results of any vote, or any determinations produced by these proceedings (referred to as the **Confidential Information**); and
- (b) not to use any Confidential Information for its own benefit, the benefit of any of its related bodies corporate or a third person. Each OTC Participant will conclude and maintain a corresponding confidentiality agreement with its Committee Member.

## 10 Fiduciary Duties; Limitation of Liability

### 10.1 Protected Persons

Neither any Committee Member nor any other person invited to participate in a Meeting (each referred to as a **Protected Person**) will, to the extent legally possible, have any fiduciary duties or other duties to protect third parties in relation to ASX Clear (Futures), any directors, managers or officers of it, the OTC Participants or any other person (each referred to as a **Non protected Person**) by reason of such service on the Committee or the appointment of a Committee Member to the Committee.

### 10.2 No Liability

Despite anything to the contrary in the OTC Rules or the OTC Handbook, to the extent that, for any reason, a Protected Person has any such duties and liabilities relating to its membership of the Committee to a Non-protected Person, such Protected Person acting under the Committee Procedures will not be liable to such Non-protected Person for breach of any such duty if they relied in good faith on the Committee Procedures, the OTC Rules, the OTC Handbook or other provisions of ASX Clear (Futures).

## 11 Governing Law

These Committee Procedures, and all rights and obligations under them will be governed by and construed in accordance with the law in force in New South Wales.

## 12 Amendments

These Committee Procedures may be amended by ASX Clear (Futures), provided that the Committee Secretary will present details of any such amendment to a Meeting held no later than 30 days after such amendment comes into effect.

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## Schedule ~~6~~8 – Attestation

*This schedule sets out the form of Attestation which OTC Participants are required to lodge under OTC Rule 2.15.*

OTC Participant: ..... (“the OTC Participant”)

Year Ended: ..... (“the Period”)

I attest that at all times during the Period the OTC Participant has complied with OTC Rule 2.15:

1. The OTC Participant has access arrangements in place that comply with paragraph (a).
2. The OTC Participant has appropriate arrangements in place for internal authorisation of the submission of OTC Transactions for registration and requests to re-bilateralise, cancel, amend or transfer OTC Open Contracts under paragraph (b). I am not aware of any submission of an OTC Transaction by the OTC Participant for registration or any request made by the OTC Participant for re-bilateralisation, cancellation, amendment or transfer of an OTC Open Contract that was not authorised in accordance with those arrangements.

.....  
Authorised Signatory

Name:

Date:

### INSTRUCTIONS:

This Attestation is to be signed by one authorised signatory who must be a member of the senior executive management of the OTC Participant (at or above the level of the Chief Risk Officer, Chief Compliance Officer or Chief Operating Officer) with responsibility for the matters the subject of this Attestation.

This Attestation is required to be completed and lodged by each OTC Participant within three months of the end of each calendar year.

**End of Section.**