

Default Management Rule Changes

Consultation on amendments to ASX

Clear (Futures) Operating Rules to:

- (1) Introduce a Framework for Default Management Auctions of Exchange Traded Derivatives; and
- (2) Extend the existing Default Indemnity

30 September 2020

Invitation to comment

ASX is seeking submissions in response to this consultation paper by Friday 13 November 2020.

Submissions should be sent to:
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Attention: Bailie Yan

ASX prefers to receive submissions in electronic form.

If you would like your submission, or any part of it, to be treated as confidential, please indicate this clearly. All submissions will be provided to regulators on request. They may also be published on the ASX website, unless they are clearly marked as confidential or ASX considers that there are reasons not to do so.

ASX is available to meet with interested parties for bilateral discussions on this Consultation.

Contacts

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Contents

1.	Introduction	3
2.	Proposed Auction Framework	3
2.1.	Background	3
2.2.	Key Features of the Auction Framework	4
2.2.1	Participation in default management auctions	4
2.2.2	Auction Pools and Auction Format	4
2.2.3	Bids	5
2.2.4	Operational Considerations	6
2.2.5	Auction Failure	6
3.	Default Indemnity	7
3.1.	Background	7
3.2.	Proposed Structure	7
4.	Next Steps	8
	Attachments	9

Consultation on amendments to ASX Clear (Futures) Operating Rules to:

- (1) Introduce a Framework for Default Management Auctions of Exchange Traded Derivatives; and
- (2) Extend the existing Default Indemnity

September 2020

1. Introduction

ASX has reviewed the current rule framework and operational requirements that facilitate default management processes; in particular the restoration of a matched book in a default event, and the extension of default indemnities. The review has identified a number of proposed changes to the ASX Clear (Futures) Operating Rules and Procedures (the “**ASXCLF Operating Rules**”), which are aimed at:

- 1) introducing a clear and transparent framework for the auctioning of exchange traded derivatives (“**ETDs**”) by ASX Clear (Futures) (“**ASXCLF**”) in the event that a futures clearing participant defaults (attached at Attachment A); and
- 2) ensuring consistency of default management powers available to both ASX Clear (“**ASXCL**”) and ASXCLF through the extension of the existing ASXCLF indemnity (attached at Attachment B).

This consultation paper seeks feedback from stakeholders on the proposed amendments to the ASXCLF Operating Rules.

Subject to consultation feedback and regulatory clearance, it is expected that the amendments to the ASXCLF Operating Rules will be implemented in Q2 2021.

Responses to this Consultation Paper should be submitted to ASX by Friday 13 November 2020.

2. Proposed Auction Framework

2.1. Background

In the event of a default by a futures Clearing Participant, ASXCLF has a number of options to manage its exposure to the positions of that defaulted Clearing Participant. The primary method used by ASX for exchange-traded products is to “close out” positions by entering into equal and opposite transactions on the ASX 24 market.

However, there are situations where it may be more appropriate for ASXCLF to conduct an auction process to “re-establish” a matched book. One such situation would include where the defaulter’s positions are less liquid and could potentially take longer to close out using the ASX24 market. In this situation, ASXCLF may look to auction the defaulter’s portfolio to another Clearing Participant or, where the relevant auction framework permits, to end-user clients. The intended outcome of a successful auction would be the effective “re-establishment” of the matched book.

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

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

2.2. Key Features of the Auction Framework

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

2.2.1 Participation in default management auctions

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

Default management auctions will be open to participation by futures Clearing Participants and by eligible clients of futures Clearing Participants. Eligibility of clients will be subject to the satisfaction of certain conditions, including the agreement by the client to be bound by the default management auction procedures in the ASXCLF Operating Rules, and the execution by the client of a non-disclosure agreement with ASXCLF in respect of its participation in default management auctions.

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

- the type of products that the client has experience dealing in;
- the resources and processes the client has in place to support an auction process; and
- how active the client is in the transaction type.

For certain specialised product groups (such as electricity futures), ASXCLF will seek to establish a group or "panel" of auction participants, including Clearing Participants and/or clients of Clearing Participants, that have been pre-determined by ASXCLF as being ready and able to participate in a default management auction, if a default event should occur. The intention of the pre-approved panel is to reduce the administrative burden on prospective auction participants and effectively ensure that an auction process may be expedited where necessary. Prospective auction participants that elect to join the panel will have no obligation to bid in respect of a particular default management auction portfolio, and ASXCLF may accept bids from clearing participants or clients that are not part of the panel.

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

Consultation Questions:

- 1) Do you support ASXCLF in establishing a panel of prospective pre-approved auction participants (prior to an event of default) in order to expedite the auction process?
- 2) Do you have any suggestions on how to incentivise auction participants to bid in the auction?

2.2.2 Auction Pools and Auction Format

In using an auction mechanism to restore a matched book, ASXCLF intends to terminate existing positions of a defaulter's portfolio and hold an auction of newly established equivalent positions. ASXCLF may at its discretion split the equivalent positions of the defaulter's portfolio into any number of auction pools in order to maximise the likelihood of a successful auction. In determining such auction pools, ASXCLF may take account of factors such as the direction, size, tenor, and regional characteristics of the positions to be auctioned. Each auction pool will be the subject of an individual auction process.

ASXCLF may seek the advice of external experts to assist with determining auction pools, but will retain its sole discretion to determine the composition of all auction pools.

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

Consultation Questions:

- 3) Noting that ASXCLF will determine auction pools with the intention of maximising the likelihood of a successful auction, do you support ASX’s “all or nothing” approach?
- 4) Direction, size, tenor and regional characteristics of positions in a defaulter’s portfolio have been referenced above as factors that may be considered by ASXCLF in the determination of an auction pool. Are there other key attributes that you consider important in determining how the portfolio should be split into appropriate auction pools?

2.2.3 Bids

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

ASXCLF contemplates that the bids for each auction pool are to be expressed as a percentage (%) of discount or premium to the last Daily Settlement Price (“**DSP**”) of all positions contained in the auction pool. Each auction pool must contain only one such percentage that is applied across all positions. An example of a proposed bid using this methodology is shown below:

Example: An auction pool comprising the ASX Electricity Base Load Quarterly Futures NSW portfolio consists of two (2) open contracts:

- Q1 2020 with a Referenced DSP of \$114
- Q2 2020 with a Referenced DSP of \$81

An auction participant may choose to submit the following bid in respect of both contracts (being the entire auction pool): *Auction Participant’s bid: 5% discount*

If this is the winning bid, the two contracts comprising the auction pool will be allocated to that auction participant’s account (or, where the auction participant is a client of a Clearing Participant, to the client account of that client’s relevant clearing participant) at the following values:

- Q1 2020 \$108.3 ($\$114.00 \times (1 - 0.05)$).
- Q2 2020 \$76.95 ($\$81.00 \times (1 - 0.05)$).

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

Consultation Questions:

- 5) Do you support the proposed approach for expressing an auction bid (ie. that bids are to be expressed as a percentage of discount or premium to the last DSP)?
- 6) What other approach or approaches do you consider are appropriate for expressing an auction bid?

2.2.4 Operational Considerations

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

- the positions included in the auction pool;
- the last Daily Settlement Prices for each open position/contract in the auction pool;
- the initial margin for the auction pool.

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

Consultation Questions:

- 7) Do you support the proposed approach that contemplates that ASXCLF will provide information about the default portfolio directly to the panel of auction participants (including end-user clients)?
- 8) The proposed process is for Clearing Participants to approve their clients' bids prior to submitting to ASXCLF. Do you support this approach? Should Clearing Participants be allowed to pre-approve up to a certain price range and/or volume?

2.2.5 Auction Failure

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

A failed bid that ASXCLF considers uneconomical will not result in the juniorisation of the Clearing Participant's default fund contribution.

3. Default Indemnity

3.1. Background

Under the ASXCLF Operating Rules and the ASXCL Operating Rules, a clearing participant is required to indemnify the relevant clearing house against the losses incurred by the clearing house where an event of default occurs in respect of such participant (Rule 75 and 15.8 respectively). The indemnity allows the clearing house to recover the costs associated with managing a default from the defaulting clearing participant rather than the relevant clearing house and non-defaulting clearing participants bearing the loss via their contributions to the default fund resources.

This indemnity is extended to a Related Body Corporate of ASXCL (pursuant to ASXCL Operating Rule 1.11.1), which includes ASXCLF. Where the same entity is a clearing participant of both clearing houses, the effect of this extended indemnity is that any cover, assets or contributions provided by the defaulting clearing participant to ASXCL that are in excess of those required to meet a loss incurred by ASXCL in connection with the clearing participant's default, may be set off or netted against any amount due by the defaulting clearing participant to ASXCLF, thereby increasing the assets of the defaulting clearing participant available to ASXCLF.

This same provision does not exist within the ASXCLF Operating Rules. ASX intends to make changes to the ASXCLF Operating Rules to ensure that ASXCL is able to benefit from any excess cover, assets or contributions as a result of the default of an ASXCLF clearing participant.

3.2. Proposed Structure

The proposed changes to the ASXCLF Operating Rules seek to replicate the indemnification extension provisions found in the ASXCL Operating Rules, to allow available collateral of a defaulting clearing participant of ASXCLF to be used to meet losses of ASXCL, or other ASX Group entities.

ASX considers this change to be beneficial to clearing participants as it will allow surplus resources of the defaulting clearing participant lodged with ASXCLF to be available for use before recovery assessments are called from non-defaulting clearing participants of ASXCL.

Neither the ASXCL Operating Rules nor the proposed changes to the ASXCLF Operating Rules contemplate the application of collateral of a Related Body Corporate of a defaulting clearing participant being available to cover losses owed to the relevant clearing house by the defaulting clearing participant. Only the collateral of an entity that is a clearing participant of both clearing houses will be available for this purpose.

Consultation Questions:

- 9) Are there any reasons why ASX should not seek to ensure consistency of default management powers available to both ASXCL and ASXCLF?



4. Next Steps

Invitation to comment and make a submission

ASX invites submissions from futures clearing participants and other market users of ASX 24 and ASXCLF in respect of the proposals contained in this paper. ASX also welcomes submissions on any alternative approaches to elements of the proposed default management auction framework presented in this paper. Your views are important in assisting ASX to understand the requirements of all stakeholders.

Due date for submissions

Please provide all submissions in writing by the close of business on **Friday 13 November 2020**.

Submissions may be provided by email to bailie.yan@asx.com.au

Submissions may alternatively be provided by mail to:

ASX Limited
PO Box H224
Australia Square NSW 1215
Attention: Bailie Yan

ASX would prefer to receive submissions in electronic form.

Submissions not marked as 'confidential' will be made publicly available on the ASX website. If you would like your submission, or any part of it, to be treated as confidential, please indicate this clearly in your submission.

ATTACHMENT A

ASX CLEAR (FUTURES) OPERATING RULES

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PART 7 PROCEDURES ON A DEFAULT

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 any 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);

(aa) to terminate all or any Open Contracts (other than OTC Open Contracts) of the Clearing Participant in Default (including Open Contracts in the Client Clearing Account), and to auction, in accordance with the Procedures, Open Contracts newly established by ASX Clear (Futures) which, taken as a whole, are equivalent to all or some of the Open Contracts of the Clearing Participant in Default (such newly established Open Contracts to be known as DM Auction Transactions);

Explanatory Note: Refer to Rule 72.1B and Procedure 72.1(aa) Powers of ASX Clear (Futures) Upon A Default and Determination of A Loss (DM Auction Procedures)

- (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) terminate Open Contracts of the Clearing Participant in Default at a price determined by ASX Clear (Futures) subject to these Rules;
- (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 ancillary or incidental to the execution of ASX Clear (Futures)' powers enumerated under these Rules in connection with the Default, provided that, for the avoidance of doubt, in exercising power under paragraphs (a) to (k), ASX Clear (Futures) may not:
 - (i) affect the order in which assets are applied under Rule 7.1; or
 - (ii) Invoice Back or Force Allocate Open Contracts to another Clearing Participant.

Amended 03/06/97, 19/05/98, 01/07/13, 11/02/14, 01/10/15

- 72.1A (a) Subject to Rules 72.1A(d) and (e), 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 Rule 72.1A(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) Subject to Rules 72.1A(d) and (e):
- (1) termination will be effective at the end of the last day of the quarter in which the Clearing Participant meets the conditions in Rule 72.1A(a) above, provided those conditions are met at least 30 days prior to the last day of the quarter; and
 - (2) 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.

- (d) The confirmation by ASX Clear (Futures) that the Clearing Participant has satisfied the conditions in Rule 72.1A(a)(2) or the effectiveness of the termination of the rights and status of the Clearing Participant in Default does not affect any accrued rights which ASX Clear (Futures), a Related Body Corporate of ASX Clear (Futures), or other Clearing Participants have against the Clearing Participant in Default or any accrued obligations which the Clearing Participant in Default has to ASX Clear (Futures), a Related Body Corporate of ASX Clear (Futures) or to other Clearing Participants.
- (e) Without limiting Rule 72.1A(d) above, following the termination of the rights and status of the Clearing Participant in Default becoming effective:
- (1) the Rules continue to apply and ASX Clear (Futures) will continue to have jurisdiction in respect of the Clearing Participant in Default concerning any conduct or any failure to comply with the Rules which occurred before the acceptance of the notice or termination of authority, whether that conduct or failure was by the Clearing Participant in Default or by any other person for whose conduct the Clearing Participant in Default was responsible;
 - (2) the Clearing Participant continues to be bound by any indemnity given by the Clearing Participant in Default under these Rules; and
 - (3) other Rules continue to apply in respect of the Clearing Participant in Default to the extent required to give effect to Rules 72.1A(e)(1) and (2).

Introduced 01/07/13 Amended 01/10/15

72.1B (a) By way of supplement to Rule 72.1(aa) above, and not by limitation, if a Clearing Participant is in Default then ASX Clear (Futures) can declare:

(1) that the obligations of the Clearing Participant and ASX Clear (Futures) under relevant Open Contracts (other than OTC Open Contracts) of the Clearing Participant (including Open Contracts in the Client Clearing Account) are to be the subject of a termination; and

(2) the time at which such termination is to be effective (referred to as the **Termination Time**).

(b) The Open Contracts which are the subject of such a declaration under Rule 72.1B(a) may relate to either House Positions or Client Positions (or both) and are referred to as **Terminated Open Contracts**.

(c) If ASX Clear (Futures) makes such a declaration under Rule 72.1B(a) then the present and future obligations of ASX Clear (Futures) and the Clearing Participant (and if applicable, the relevant CPM Client) to make payments under the terms of the Terminated Open Contracts (including payments of Variation Margin) are terminated and the payments are no longer required to be made.

Explanatory Note: following termination of Open Contracts relating to Client Positions, such positions cease to be Client Positions and may be combined with Terminated Open Contracts relating to House Positions.

(d) 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:

- (1) the value of obligations which fell due in connection with the Terminated Open Contract(s) (including payment of Variation Margin) before the Termination Time but which have not been performed;
- (2) the value of obligations which would have been due for performance under the Terminated Open Contract(s) after the Termination Time if the Terminated Open Contract(s) had not been terminated (including payment of Initial Margin and Variation Margin); and
- (3) its losses, costs, charges and expenses in connection with the management of the Default of the relevant Clearing Participant with respect to the Terminated Open Contract(s) including, without limitation, and amounts payable by it in respect of any DM Auction held in accordance with Rule 72.1(aa).

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

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

(f) If Terminated Open Contracts involved in a default management process conducted in accordance with Rule 72.1(aa) relate to both House Positions and Client Positions of a Clearing Participant in Default, or the Open Positions of more than one Clearing Participant in Default, then ASX Clear (Futures):

- (1) may combine any such Terminated Open Contracts so that they are treated as part of one or more portfolios at any time after the commencement of the default management process for the purpose of auction in accordance with the relevant powers under Rule 72.1(aa);
- (2) is to allocate any losses, costs, charges and expenses in connection with that default management process between the relevant Clearing Participant(s) in Default and between the House Accounts, Client Accounts and Client Sub-Accounts of the relevant Clearing Participant(s) in Default which relate to those Terminated Open Contracts (referred to in this Rule 72.1B as a **Relevant**

Account). The losses, costs, charges and expenses are to be calculated as of the time of combination of such Terminated Open Contracts and will be conducted by allocating any losses, costs, charges and expenses to each Relevant Account proportionately to its relative risk as determined by ASX Clear (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

(3) in the case of a Relevant Account which is a Client Sub-Account, is to deduct any losses, costs, charges and expenses so attributed to that Client Sub-Account in accordance with (2) above from the Guaranteed Initial Margin Value of that Client Sub-Account in accordance with the Client Protection Model Provisions.

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, and demand immediate payment of any 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 or the Recovery Rules.

Without limiting any of its rights or powers, ASX Clear (Futures) agrees that it will exercise its rights under this Rule 72.3 to calculate a net amount with respect to the Clearing Participant in Default. ASX Clear (Futures) may exercise any of its rights and powers and take any other actions in connection with the Clearing Participant in Default before, or after, it does so.

Introduced 13/07/09 Amended 01/07/13, 11/02/14, 01/10/15

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 11/02/14

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ASX CLEAR (FUTURES) OPERATING RULES

PROCEDURES DETERMINATIONS

AND PRACTICE NOTES

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Rule 72 .1(aa) Powers of ASX Clear (Futures) Upon A Default and Determination of A Loss (DM Auction Procedures)

1 Application of DM Auction Procedures

For the purpose of Rule 72.1(aa), the following procedures (referred to in these Procedures as the **General DM Auction Procedures**) will apply to auctions of DM Auction Transactions and to all Bids (as defined in Paragraph 6.2 below) made in respect of such auctions (referred to as **DM Auctions**). The General DM Auction Procedures are supplemented by specific auction terms (referred to in these Procedures as the **Specific DM Auction Terms**), which will be substantially in the form as set out in the Appendix hereto titled "Form of Specific DM Auction Terms". The General DM Auction Procedures and the Specific DM Auction Terms are together referred to as the **DM Auction Procedures**.

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

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

Introduced [XX]

2 Definitions

2.1 Terms to have meanings given to them in the Rules

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

2.2 References to Paragraphs

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

2.3 Definition of "Other DM Auction Bidder"

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

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

Introduced [XX]

3 Determination of Auction Pools

3.1 Auction Pools

Where ASX Clear (Futures) determines in accordance with its powers under Rule 72.1(aa) of the Rules that a DM Auction is to be held, ASX Clear (Futures) is to determine at its sole discretion the groups of DM Auction Transactions which are to be the subject of each separate auction (each group of DM Auction Transactions referred to as an **Auction Pool**). Without limiting the ways in ASX Clear (Futures) may form an Auction Pool, ASX Clear (Futures) may:

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

3.2 Expert advice

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

Introduced [XX]

4 Participation in DM Auctions

4.1 Purpose of participation in DM Auction

DM Auctions held by ASX Clear (Futures) pursuant to its powers under Rule 72.1(aa) of the Rules will enable:

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

to enter into the DM Auction Transactions comprised in the relevant Auction Pool with ASX Clear (Futures) at an auction price that is determined in accordance with

these DM Auction Procedures (the auction price for the Auction Pool referred to in as the **DM Auction Price**).

Introduced [XX]

4.2 DM Auction Invitees

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

(i) Clearing Participant, or

(ii) Other DM Auction Bidder,

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

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

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

Introduced [XX]

4.3 Disclosure

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

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

Introduced [XX]

4.4 Participating Bidders

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

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

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

Introduced [XX]

5 Pre-Auction Procedures

5.1 Specific DM Auction Terms

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

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

Introduced [XX]

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

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

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

Introduced [XX]

6 Bidding Procedures

6.1 Principles

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

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

Introduced [XX]

6.2 Submission of Bids

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

Introduced [XX]

6.3 Bid constitutes an irrevocable offer

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

Introduced [XX]

6.4 Revocation of Bids following amendment

If:

- (a) ASX Clear (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
- (b) 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 Paragraph 6.4, 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 in accordance with Paragraph 5.2(a)).

Introduced [XX]

6.5 No negative Bids

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

Introduced [XX]

6.6 Bids confidential

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

Introduced [XX]

6.7 Instructions to be clear and unequivocal

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

Introduced [XX]

7 Determination of Winning Bid and Auction Price

7.1 Determination of winning Bid

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

(b) If:

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

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

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

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

Introduced [XX]

7.2 Reserve Price

(a) ASX Clear (Futures) may at its sole discretion set a reserve price for the Auction Pool comprised in a DM Auction.

(b) The reserve price for the Auction Pool, if any, will not be disclosed prior to the scheduled Expiration Time in respect of the relevant DM Auction.

(c) If a reserve price specified for the Auction Pool is higher than the otherwise winning Bid for such Auction Pool, then despite any other provision of these DM Auction Procedures, there is taken to be no winning Bid for such Auction Pool.

Introduced [XX]

7.3 Notification of winning Bid

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

Introduced [XX]

7.4 DM Auction Transactions

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

(a) the Participating Bidder; or

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

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

Introduced [XX]

7.5 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:

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

Introduced [XX]

7.6 Non-disclosure

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

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

Introduced [XX]

8 Auction Format

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

Introduced [XX]

9 Settlement of Auction Price

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

Introduced [XX]

10 Irregularities

- (a) All questions as to the validity, form and eligibility (including the time of receipt) of any Bid or revision of it, will be determined by ASX Clear (Futures), which determination will be final and binding.
- (b) 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.
- (c) ASX Clear (Futures) reserves the absolute right to waive any requirement under the DM Auction Procedures.
- (d) ASX Clear (Futures) will be under no duty to give notice to Participating Bidders of any irregularities in Bids.

Introduced [XX]

11 Agreements and acknowledgements by Participating Bidders

11.1 Agreements

By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder agrees with ASX Clear (Futures) at the time of the submission of its Bid 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 that ASX Clear (Futures) will not be liable for any Bids that are submitted by a Participating Bidder to a Clearing Participant in accordance with 6.2(a)(iv) and which are not received by ASX Clear (Futures) before the Expiration Time for the relevant DM Auction;
- (d) it accepts the rights of ASX Clear (Futures) set out in DM Auction Paragraph 10 (Irregularities); and
- (e) (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:
 - (i) any breach of any of the DM Auction Procedures, or
 - (ii) any breach of the acknowledgements, representations, warranties and undertakings given pursuant to the DM Auction Procedures (including any Bid thereunder) by the Participating Bidder,

up to a maximum capped amount for that Participating Bidder in respect of all DM Auctions which may occur as a result of the applicable Participant's Default, of fifty million dollars (\$50,000,000).

Introduced [XX]

11.2 Acknowledgements

By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder acknowledges to ASX Clear (Futures) at the time of the submission of its Bid 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 Paragraph 5.2 (Cancellation of DM Auction or

changes to Specific DM Auction Terms) and that in the event of a cancellation of the DM Auction, the Bids will be cancelled;

- (b) it understands that acceptance by ASX Clear (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 Pool;
- (c) ASX Clear (Futures) will rely upon the truth and accuracy of the representations, warranties and undertakings contained in DM Auction Paragraph 12 (Representations, Warranties and Undertakings of Participating Bidder); and
- (d) a Variation Margin requirement with respect to the respective DM Auction Transactions comprised in the relevant Auction Pool may become due at the relevant Settlement Time.

Introduced [XX]

12 Representations and warranties of Participating Bidder

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

- (a) it will:
 - (i) keep confidential and will not disclose directly or indirectly (other than in accordance with these DM Auction Procedures) the Specific DM Auction Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Pool;
 - (ii) use any such information at (i) solely for the purpose of evaluating the relevant Auction Pool; and
 - (iii) unless it has provided the winning Bid which has been accepted by ASX Clear (Futures) or is required to retain such information pursuant to law or internal compliance procedures, immediately delete and destroy such information after the respective Expiration Time and promptly certify to ASX Clear (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;
- (d) it does not engage in any trading activity with the purpose of affecting the value of any DM Auction Transaction or Auction Pool;
- (e) no order has been made or applied for or resolution passed for the suspension of payments or dissolution, termination of existence, liquidation, winding-up, bankruptcy, insolvency, judicial management or curatorship;
- (f) no moratorium in respect of all or any debts or a composition or an arrangement with creditors or any similar proceeding or arrangement by which its assets are submitted to the control of its creditors is ordered, declared or applied for;

- (g) no liquidator, trustee, administrator, receiver, statutory manager or similar officer has been appointed in respect of it or in respect of all or a substantial part of its assets;
- (h) it is able to pay its debts as and when they fall due, will not become unable to pay its debts as a consequence of entering into the DM Auction Transactions; and
- (i) no event has occurred or circumstance arisen with respect to it, which might (whether or not with the giving of notice or the passage of time or the fulfilment of any other requirement) constitute a Default.

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

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

Introduced [XX]

13 Duty to Inform

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

Introduced [XX]

14 Governing law; Place of jurisdiction

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

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

Introduced [XX]

15 Amendment of DM Auction Procedures

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

Introduced [XX]

ANNEX – Form of Specific DM Auction Terms

[Letterhead of ASX Clear (Futures)]

To The DM Auction Invitees

[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 Procedure 72.1(aa) (Default Management Auction Procedures) of the ASX Clear (Futures) Operating Rules – Procedures Determinations and Practice Notes and constitute, in conjunction with the General DM Auction Procedures, the DM Auction Procedures for this DM Auction. In case of any differences between the General DM Auction Procedures and these Specific DM Auction Terms, these Specific DM Auction Terms will prevail. None of the Specific DM Auction Terms or the General DM Auction Procedures prevail over the Recovery Rules.

Each DM Auction Invitee will keep confidential and will not disclose directly or indirectly the Specific DM Auction Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction Transactions or the Auction Pool. It will use any such information solely for the purpose of evaluating the Auction Pool and it will, unless it has provided a winning Bid that has been accepted by ASX Clear (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.

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

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

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

General Information:

Auction Pool Code: []

Auction Pool Description: []

Auction Currency: []

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

_____ - []

Bidding and Auction Procedure Details:

Reserve Price Set: _____ [Yes/No]

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

Auction Timetable (all times AEST):

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

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

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

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

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

This Auction Pool at the Settlement Time on the Settlement Date includes only those cash flows scheduled for settlement after the Settlement Date.

DM AUCTION BIDDING FORM

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

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

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

ANNEX – Default Management Auction Process Timeline

1 Guidance

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

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

2 DM Auction Process Timeline

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

....

ATTACHMENT B

ASX CLEAR (FUTURES) OPERATING RULES

...

22 EXTENSION OF INDEMNITIES AND DISCLAIMERS

Benefits extend to others

22.1 Where a Rule excludes or limits the liability of ASX Clear (Futures), releases ASX Clear (Futures) from liability, or provides for an indemnity in favour of ASX Clear (Futures), then to the extent permitted by law, that exclusion, limitation, release or indemnity (as applicable) extends to:

- (a) every officer, agent, delegate, person acting for or on behalf of ASX Clear (Futures) or contractor of ASX Clear (Futures); and
- (b) every Related Body Corporate of ASX Clear (Futures) and every officer, person acting for or on behalf of that Related Body Corporate, agent, delegate or contractor of that Related Body Corporate.

as if a reference in that Rule to ASX Clear (Futures) included a reference to each of them.

Benefit held by ASX Clear (Futures) on behalf of those persons

22.2 The benefit of any limitation, exclusion, release or indemnity in favour of any person other than ASX Clear (Futures) under Rule 22.1 is held by ASX Clear (Futures) for the benefit of those other persons and ASX Clear (Futures) may enforce that benefit on their behalf.

Explanatory Note:

The indemnity granted under Rule 22 extends to every Related Body Corporate of ASX Clear (Futures), including ASX Clear Pty Limited (**ASX Clear**). ASX Clear (Futures) may net any amount due by a Clearing Participant in Default to ASX Clear (Futures) (including on account of the indemnity granted by the Clearing Participant in Default for costs incurred by ASX Clear in connection with the Default) against any amount due by ASX Clear (Futures) to the defaulting Clearing Participant (see Rule 72.3). ASX Clear (Futures) may apply and set off any property deposited with ASX Clear (Futures) by the Clearing Participant in Default as Initial Margin, Commitment or otherwise towards satisfaction of the net amount payable by the Clearing Participant in Default to ASX Clear (Futures) (which would include the indemnified costs incurred by ASX Clear in connection with the Default) (see Rule 72.1(b)).

232 to 29

Not in use.

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