

PROPOSED AMENDMENTS TO SGX-DC CLEARING RULES

Rule Amendments

CHAPTER 1 – APPLICATION OF RULES

1.01 Application of Rules

1.01.3

Without prejudice to Rule 1.01.2 or the benefit of any exclusion of liability in any contract or undertaking in favour of the Clearing House, the Clearing House accepts no duty to and therefore shall have no liability whatsoever to any Clearing Member or any Third Party in contract, tort, trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Clearing Member or any Third Party, as the case may be, ~~as a result of~~ arising out of or in connection with:

1.01.3.1 any suspension, restriction or closure of any market whose contracts are cleared by or novated to the Clearing House (each a "Relevant Market"), whether for a temporary period or otherwise or as a result of a decision taken on the occurrence of a market emergency;

1.01.3.2 any failure by the Clearing House or any Relevant Market to supply each other with data or information in accordance with arrangements from time to time established between and/or amongst any or all such persons;

1.01.3.3 the failure of any systems, communications facilities or technology supplied, operated or used by the Clearing House;

1.01.3.4 the failure of any systems, communications facilities or technology supplied, operated or used by any Relevant Market;

1.01.3.5 the inaccuracy of any information supplied to and relied on by the Clearing House (including but not limited to any error in the establishment of a settlement price made by a Relevant Market) or a Relevant Market; ~~and~~

1.01.3.6 any event which is outside the reasonable control of the Clearing House;

1.01.3.7 the Clearing House's clearing and settlement of Contracts, and all other matters as contemplated in this Rules; and

1.01.3.8 the exercise or non-exercise by the Clearing House of any discretion or decision making power under this Rules.

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1.02 Regard to be had to Purpose or Object of Rules
1.02.2
Directives, Practice Notes and Circulars may only be used in the manner and for such purposes as expressly contemplated under this Rules. "Directives" are binding notices directing Clearing Members to take corrective or other actions in the interests of a safe and efficient clearing facility or in light of investor protection concerns; "Practice Notes" are non-binding guidelines that seek to explain the application and interpretation of a Rule; "Circulars" are binding notices issued by the Clearing House regarding regulatory and non-regulatory matters pertaining to Clearing Members.
1.04 Precedence of Instruments
1.04.3
The order of precedence of the following instruments applicable to the Clearing House and Clearing Members shall be (in descending order of precedence):
1.04.3.1 legislation the SFA, the Act, any applicable legislation and any regulations issued thereunder;
1.04.3.2 this Rules;
1.04.3.3 Directives terms and conditions governing the operations, facilities and services provided by the Clearing House;
1.04.3.4 Circulars Directives;
1.04.3.5 terms and conditions governing the operations, facilities and services provided by the Clearing House Practice Notes;
1.04.3.6 Circulars (regulatory) Practice Notes.
CHAPTER 2 – CLEARING MEMBERSHIP
2.02.2
Unless otherwise prescribed by the Clearing House, to be eligible for Clearing Membership as a General Clearing Member clearing OTCF Contracts, an applicant must, in addition to the eligibility criteria prescribed under Rule 2.02.1, satisfy the Clearing House that:

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2.02.2.1 it has a base capital of not less than S\$50,000,000 or such other amount as may be prescribed by the Clearing House from time to time; and

2.02.2.2 its holding company:

a. is a bank that is regulated as such by a financial authority;

b. has at least S\$1,000,000,000 of paid-up ordinary share capital and unappropriated profit or loss; and

c. has obtained a long term rating of at least A, together with:

i. a long term credit rating that indicates, at least, a strong overall creditworthiness supporting the fulfilment of its financial obligations~~a bank financial strength rating of at least C from Moody's Investors Service; and~~

ii. a credit rating that indicates, at least, adequate intrinsic safety and soundness, excluding external credit support, and a limited ability to withstand adverse business or economic conditions, from any rating agency registered with an appropriate authority.~~a bank fundamental strength rating of at least C from Standard & Poor's Corporation;~~

iii. ~~a bank individual rating of at least C from Fitch, Inc; or~~

iv. ~~an equivalent rating from any other international rating agency deemed acceptable by the Clearing House.; and~~

2.02A.1

Unless otherwise prescribed by the Clearing House, to be eligible for Clearing Membership as a Direct Clearing Member, an applicant must satisfy the Clearing House that: —

2.02A.1.1 it fulfils the criteria and requirements set out in Rule 2.02 (except for Rules 2.02.1.1.b and 2.02.1.4); and

2.02A.1.2 it or its holding company has ~~an issuer rating of at least Aa from Moody's Investors Service or an equivalent rating from any other international rating agency deemed acceptable by the Clearing House~~ obtained a long term credit rating from any rating agency registered with an appropriate authority, that indicates, at least, a very strong overall creditworthiness supporting the fulfilment of its financial obligations.

2.02B.1

Unless otherwise prescribed by the Clearing House, to be eligible for Clearing Membership as a Bank Clearing Member, an applicant must

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satisfy the Clearing House that:—

2.02B.1.1 it is authorised to conduct banking business in Singapore pursuant to section 4 of the Banking Act (Chapter 19);

2.02B.1.2 it or its parent bank has ~~obtained a long term rating of at least A, together with:~~

a. ~~a long term credit rating that indicates, at least, a strong overall creditworthiness supporting the fulfilment of its financial obligations a bank financial strength rating of at least C from Moody's Investors Service; and~~

b. ~~a credit rating that indicates, at least, adequate intrinsic safety and soundness, excluding external credit support, and a limited ability to withstand adverse business or economic conditions, from any rating agency registered with an appropriate authority, a bank fundamental strength rating of at least C from Standard & Poor's Corporation;~~

c. ~~a bank individual rating of at least C from Fitch, Inc; or~~

d. ~~an equivalent rating from any other international rating agency deemed acceptable by the Clearing House;~~

2.14 Required Records and Reports

2.14.3B

A Clearing Member must maintain separate accounts for each person whose account is carried on the books of the Clearing Member.

2.18 Segregation of Customer's Money, Securities and Property

2.18.2 — Use and Set-off [Rule has been deleted.]

~~The Clearing House shall be entitled to use and deal with any of the money, Securities and Property received by it from a Clearing Member in such manner as the Clearing House shall in its absolute discretion think fit, provided nevertheless that the Clearing House shall not use any money, Securities and Property received and notified to it as being in relation a futures broker's customer's contract to settle any obligation referable to an account classified or reported to the Clearing House as "House" or "House" globally.~~

~~For the purposes of this Rule, unless the context otherwise requires:~~

~~"Properties" shall include movable and immovable property, and any estate, share and interest in any property, movable and immovable, and~~

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~~any debt, and any thing in action, and any other right or interest, whether in possession or not: and~~

~~“Securities” shall mean debentures, stocks and shares in a company or corporation, funds or bonds of any government or of any body, corporate or unincorporated, and includes any right of option in respect thereof and any interest as defined in the SFA.~~

2.34 Market Disorders, Impossibility of Performance, Emergency Situations and Powers of Clearing House

2.34.1

Without prejudice to Rule 1.01.2, if the Clearing House determines that one (1) of the following conditions is satisfied, namely:—

- (a) a state of war or emergency exists or is imminent or threatened and is likely to affect or has affected the normal course of business, including, but not limited to, performance under any open contract;
- (b) the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under any open contract;
- (c) any international organisation, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under the open contract; or has given notice of its intention to do so or appears to be about to do so; or
- (d) an emergency exists which threatens the financial integrity of the Clearing House or any of the Clearing Members, it is necessary or desirable for ensuring a fair and orderly market or for ensuring a safe and efficient clearing facility, or for ensuring the integrity of the market or for proper management of systemic risk in the market,

then:—

- 2.34.1.1 the Clearing House shall be entitled to close out a contract at a price determined by the Clearing House or to require such Clearing Members to comply with any directions issued by the Clearing House regarding the performance of, or any other direction in respect of, the open contract; ~~and~~
- 2.34.1.2 accounts shall be made up by the Clearing House for each Clearing Member who is a party to the open contract to be closed out as aforesaid. Settlement of such accounts shall be due immediately and settlement thereof shall be made forthwith in discharge of the open contract closed out notwithstanding any further change of circumstances; ~~and~~.

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2.34.1.3 the Clearing House shall be entitled to take such other action or require one or more Clearing Members to take such action as it deems necessary or desirable.

2.34.2

If the Clearing House determines in accordance with this Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting a market in a Commodity or any Contract, the Clearing House:

(a) may take such action in respect of one (1) or more open contracts for such Commodity or such Contract in a Clearing Member's name as may be provided by this Rules, or as may be agreed between the Relevant Market in respect of such Commodity or such Contract and the Clearing House; and

(b) shall be entitled to take such other action or require one or more Clearing Members to take such action as it deems necessary or desirable.

2.34.3

Without prejudice to the generality of Chapter 1, the Clearing House shall not be liable to any Clearing Member or any Third Party in respect of any damage, loss, cost or expense of whatsoever nature (whether direct, indirect, special or consequential, including without limitation any loss of business, revenue, goodwill, bargain or profit), suffered or incurred by such Clearing Member or Third Party, arising out of or in connection with the exercise or non-exercise by the Clearing House of its powers under Rule 2.34 or the determination by the Clearing House of the satisfaction or non-satisfaction of any condition for the exercise of such powers.

CHAPTER 4 – ENFORCEMENT OF RULES

4.15 Clearing Member's Indemnity to the Clearing House

4.15.1

Each Clearing Member ~~shall indemnify and hold the~~ indemnifies the Clearing House ~~and its directors, officers, employees, representatives and agents ("Indemnified Persons") harmless for the full amount of any judgement or settlement paid by the Clearing House in respect of any legal proceeding brought against the Clearing House as a result of an alleged violation of any laws or this Rules by such Clearing Member or as a~~

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~~result of an alleged failure of the Clearing House to detect, prevent, or otherwise act against such alleged violation.~~ against any loss or liability reasonably incurred or suffered by the Indemnified Persons where such loss or liability arose out of or in connection with:—

4.15.1.1 any breach by the Clearing Member of its obligations under this Rules; or

4.15.1.2 any wilful, unlawful, reckless or negligent act or omission by the Clearing Member.

4.15.2

Without prejudice to the generality of Rule 4.15.1, in the event that any legal, arbitration or other proceedings are brought to impose any liability on the Indemnified Persons for an alleged failure on the part of any Indemnified Person to prevent or to require action by a Clearing Member or any of its directors, officers, employees, representatives or agents, the Clearing Member shall reimburse the Clearing House for:—

4.15.2.1 all expenses and legal fees incurred by the Clearing House in connection with such proceedings;

4.15.2.2 any payment made by the Clearing House with the approval of the Clearing Member in connection with any settlement of such proceedings; and

4.15.2.3 any payment made by the Clearing House as a result of any order, award or judgment made in such proceedings.

The Clearing Member shall render such co-operation as the Clearing House reasonably requires in respect of such proceedings including without limitation the production of any document or records.

4.15.3

Without prejudice to Rule 4.15.2, the cost to the Clearing House of producing, pursuant to a court order or other legal process, records relating to the business or affairs of a Clearing Member may, at the absolute discretion of the Clearing House, be required to be paid to the Clearing House by such Clearing Member, whether such production is required at the instance of such Clearing Member or at the instance of any other party.

CHAPTER 6 – DELIVERY AND RELATED MATTERS

6.02A Clearing House Merely Facilitates Delivery

6.02A.7B Posting of Performance Deposits and Payment of Contract Value

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Unless otherwise provided in the relevant Contract Specifications, Performance Deposits and contract value shall, for the purposes of Rule 6.02A.7 and Rule 7.04.3A.23.3, be deemed to have been posted or paid as follows:

6.02A.7B.1 where posting or payment is in cash, upon Confirmation of the relevant Payment Instruction by the ~~appropriate S~~ettlement Bank of such Clearing Member ~~as that~~ is undertaking Delivery Obligations in a delivery contract; and

6.02A.7B.2 where posting or payment is in the form of an irrevocable letter of credit or any other security, upon receipt of the irrevocable letter of credit or other security by the Clearing House, provided that the said irrevocable letter of credit or other security is in a form and issued by a bank acceptable to the Clearing House.

6.07 Deliveries Involving Clearing House as Escrow Agent and Treatment of Performance Deposits, Other Payments and Other Escrow Assets

6.07.1

If so required under the relevant Contract Specifications, a Selling Member and/or Buying Member in a delivery contract shall post or cause its respective Seller or Buyer to post with the Clearing House as escrow agent a Performance Deposit and/or other payment (including but not limited to contract value) as may be prescribed under the relevant Contract Specifications (such person responsible for posting the Performance Deposit or other payment being referred to as the "depositing party"), at such time as provided under the relevant Contract Specifications, as security for the benefit of the counterparty under the delivery contract for the performance of the depositing party's obligations under the delivery contract. For the avoidance of doubt, posting of Performance Deposits or other payments by the depositing party are is to be made without any set-off or withholding.

6.07.2

A Selling Member or Buying Member shall collect Performance Deposits, other payments and other Escrow Assets (where applicable) from its respective Seller or Buyer within such time as prescribed in the relevant Contract Specifications, or by the Clearing House. Nothing herein prohibits a Member from collecting additional monies or deposits from its Seller or Buyer to secure performance as it sees fit.

6.07.3

No Clearing Member shall grant, whether directly or indirectly, any advance, loan or credit facility to any Seller or Buyer for the purpose of posting Performance Deposits, other payments or other Escrow Assets (where applicable) with the Clearing House. For avoidance of doubt, Members shall only post the full sum of Performance Deposits, other payments and/or other Escrow Assets (where applicable) with the

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Clearing House.

6.07.4

When under this Rules, the Clearing House becomes the escrow agent of any ~~Title Document, letter of credit, financial instrument, property or money (the "Escrow Asset")~~ in connection with the delivery of the underlying Commodity, the following shall apply:

(a) The Clearing House holds such Escrow Asset solely as escrow agent on behalf of the depositing party subject to this Rules or the relevant Contract Specifications. As escrow agent, the Clearing House shall act solely as a stakeholder for the convenience of the depositing party and in accordance with the terms for such escrow holding as may be set out in this Rules or the relevant Contract Specifications.

(b) None of the Clearing House, any of its directors, officers, agents or employees (collectively "Officers") shall be liable to any party for any loss or damage arising out of or in connection with any act or omission with respect to the delivery and/or payment obligations of the depositing party during the period that the Clearing House is the escrow agent for such Escrow Asset or with respect to the non-release or delay in release of the Escrow Asset in accordance with the terms of the escrow unless the loss or damage is caused directly as a result of wilful breach or breach in bad faith by the Officers of the terms of the escrow.

6.07.5

The Clearing House shall be entitled to physically commingle Performance Deposits, other payments and other Escrow Assets (where applicable) with all ~~Collateral margins and Security Deposits~~ subject always to its obligations under the SFA to segregate monies received for House Contracts and Customer Contracts.

6.07.6

The Clearing House shall be entitled to charge an administrative fee for acting as the escrow agent.

6.07.7

The Clearing House shall credit all Performance Deposits, other payments and other Escrow Assets (where applicable) which a Clearing Member has posted with the Clearing House pursuant to this Rules with interest, dividends, and any other returns or entitlements on the full amount at such rate as prescribed by the Clearing House except for:

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6.07.7.1 money continued to be held consequent or subsequent to a delivery default; and

6.07.7.2 any administrative fees payable to the Clearing House pursuant to Rule 6.07.6.

The depositing party shall be entitled to the benefit of any such interest, dividends, returns or entitlements that is credited.

6.07.8 Release of Performance Deposits and Other Payments

6.07.8.1 Subject to Rule 6.07.8.2, ~~if there is no claim or no outstanding claim,~~ the Clearing House shall ~~return~~ release the Performance Deposit and/or other payment posted with it (less any administrative fees payable) to the respective Selling Member and/or Buying Member, as the case may be, ~~upon their request,~~ only as provided in the relevant Contract Specifications, ~~or, in the case of a Contract traded on the Exchange:~~

~~a. upon notification by the Selling Member and Buying Member that their respective Seller and Buyer have agreed to an Alternative Delivery Procedure and each of them has furnished an indemnity on terms acceptable to the Clearing House;~~

~~b. at any time after a notification has been lodged by the Buying Member on behalf of its Buyer that no claim whatsoever will be made by the Buyer on the underlying Commodity delivered by the Seller provided that the Clearing House shall not release any of the Performance Deposit to the Buying Member unless the Selling Member is first notified of the request to so release and thereafter given an opportunity to raise its objections (if any) to such release; or~~

~~c. upon notification by the Selling Member that it has paid or settled all liabilities to the Buying Member in respect of any claim on the underlying Commodity delivered by the Seller to the Buyer and for which the Performance Deposit to be released has been posted provided that the Clearing House shall not release any of the Performance Deposit to the Selling Member unless the Buying Member is first notified of the request to so release and thereafter given an opportunity to raise its objections (if any) to such release.~~

6.07.8.2 The lodging of a claim which is not bona fide by a Seller or Buyer, or Clearing Member as the case may be, may subject such Clearing Member or the Clearing Member of such Seller or Buyer to such penalties as the Clearing House may impose.

6.07.8.3 For the avoidance of doubt, upon the release of the Performance Deposit and/or other payment, the Clearing House shall be released from its obligations as an escrow agent in relation to such Performance Deposit and/or other payment (as the case may be), and from any liabilities in relation thereto.

6.07.9 Release of Escrow Assets Other than Performance Deposits and Other Payments

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The Clearing House shall release the Escrow Assets other than the Performance Deposits and other payments (less any administrative fees payable) to the respective clearing members of the Seller and/or Buyer, as the case may be, only as provided in the relevant Contract Specifications. For the avoidance of doubt, upon the release of such Escrow Assets, the Clearing House shall be released from its obligations as an escrow agent in relation to such Escrow Assets, and from any liabilities in relation thereto.

CHAPTER 7 – CLEARING AND MARGINS

7.02AA.2 Registration of OTCF Transactions

7.02AA.2.1 OTCF Transactions will be registered with the Clearing House for clearing through the Trade Registration System or other facility as prescribed by the Clearing House.

7.02AA.2.2 An Eligible OTCF Transaction may only be submitted to a Trade Registration System for registration by the Clearing House by any of the following parties:

- a. a Clearing Member; or
- b. such other party authorised by the Clearing Member; or
- c. the Clearing House itself for the purpose of executing any default proceeding contemplated under Rule 7A.02.1 or as it considers necessary from time to time.

7.02AA.2.3 Any of the parties submitting an Eligible OTCF Transaction through the Trade Registration System, or other facility approved by the Clearing House, for registration shall comply with the terms and conditions governing the access to and operation of that system, as varied, amended, or supplemented from time to time.

7.02AA.2.4 A Clearing Member acting for an Original OTCF Contract Counterparty, shall obtain the consent of such Original OTCF Contract Counterparty, before allowing such other party referred to at Rule 7.02AA.2.2 to register OTCF Transactions on behalf of such Clearing Member.

7.02AA.2.5 Unless the relevant information with regard to an Eligible OTCF Transaction as required by Rule 7.02AA.1.1 and set out in the OTCF Clearing Member Handbook are submitted to the Clearing House on the same day, prior to the trade submission deadline(s) prescribed by the Clearing House, such Eligible OTCF Transaction will not be registered.

7.02AA.2.6 For the avoidance of doubt, an Eligible OTCF Transaction which has been registered with the Clearing House shall remain a bilateral OTCF Contract between the Original OTCF Contract Counterparties until the Clearing House becomes the central counterparty pursuant to Rule 7.04.5A.1.

7.02AA.2.7 A Clearing Member acting for an Original OTCF Contract Counterparty shall assume the duties and obligations of that Original OTCF Contract Counterparty, as principal to the Clearing House, for an Eligible OTCF Transaction that has been submitted for registration by any of the parties in Rules 7.02AA.2.2.

7.02AA.2.8 In submitting or allowing the submission of an Eligible OTCF Transaction for registration through the Trade Registration System or other facility as prescribed by the Clearing House, the Original OTCF Contract Counterparties to the Eligible OTCF Transaction shall be deemed to have mutually agreed (i) to substitute their contract for a contract based on the OTCF Contract Terms set out in the OTCF Clearing Member Handbook, and (ii) for the Clearing House to become the counterparty to each Clearing Member in whose name such Eligible OTCF Transaction has been registered pursuant to Rule 7.04.

7.02AA.2.9 Once an Eligible OTCF Transaction has been submitted for registration, the terms of the Eligible OTCF Transaction shall be final and a Clearing Member shall be bound by the terms of the Eligible OTCF Transaction registered in its name.

The Clearing House shall not be responsible for confirming the terms of such Eligible OTCF Transactions.

7.03A Collateral

7.03A.1 Trust Arrangements

7.03A.1.1 Subject to all rights and remedies of the Clearing House against or in respect of Collateral under this Rules, the Security Deed and the SFA, Collateral held by or otherwise deposited with or provided to the Clearing House shall be held on trust by the Clearing House for the benefit of:

- a. Clearing Members, except where such Collateral is held by or otherwise deposited with or provided to the Clearing House solely in respect of Customer Contracts; and
- b. the relevant customers of the Clearing Member pursuant to the SFA, where such Collateral is held by or otherwise deposited with or provided to the Clearing House solely in respect of Customer Contracts.

7.03A.1.2 The Clearing House shall have the right to commingle any or all Collateral held by or otherwise deposited with or provided to it by

Clearing Members, except where such Collateral is held by or otherwise deposited with or provided to the Clearing House solely in respect of Customer Contracts, in the same account.

7.03A.1.3 The Clearing House shall have the right to commingle any or all Collateral held by or otherwise deposited with or provided to it by Clearing Members solely in respect of Customer Contracts in the same account.

7.03A.2 Security Deed

Prior to the Clearing House commencing any clearing activities in respect of any Clearing Member, the Clearing Member shall execute and deliver a Security Deed in the form and on terms prescribed by the Clearing House, setting out the terms under which its Collateral are provided to, and held by, the Clearing House.

7.03A.3 General Lien

Without prejudice and in addition to any Security Interest or other right or remedy which the Clearing House may have under this Rules, contract, law or equity, and subject to any applicable restrictions pursuant to the provisions of the SFA and/or imposed by the Authority, the Clearing House shall have a lien on all Collateral deposited with or provided to the Clearing House and on any other monies and/or assets of the Clearing Member which may be or become available to the Clearing House.

7.03A.4 Collateral Deposit

A Clearing Member shall deposit or otherwise provide to the Clearing House such Collateral, in such acceptable form and denomination as may be prescribed by the Clearing House from time to time, subject to such terms and conditions prescribed by the Clearing House from time to time.

7.03A.5 Collateral Withdrawal

7.03A.5.1 Where any obligation under this Rules, the Security Deed or as may otherwise be owing to the Clearing House remains outstanding on the part of a Clearing Member, such Clearing Member shall have no right to withdraw any Collateral or request for the repayment of any credit balance held with or subject to the control of the Clearing House without the Clearing House's prior consent.

7.03A.5.2 Any withdrawal of Collateral consented to by the Clearing House under this Rule shall not be deemed to be a release of the existing or future Security Interest over any remaining Collateral held with or subject to the control of the Clearing House, other than the withdrawn Collateral.

7.03A.5.3 A request for withdrawal of Collateral may only be made by a Clearing Member subject to Rule 7.03A.5.1. Without prejudice to Rule

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2.18.3. a Third Party may not withdraw or request for the withdrawal of any Collateral held with or subject to the control of the Clearing House, other than through the Third Party's Clearing Member. All Collateral permitted by the Clearing House to be withdrawn shall be returned only to the Clearing Member.

7.03A.6 Valuation of Collateral

7.03A.6.1 The Clearing House shall value such Collateral as it deems appropriate. The Clearing House shall, at its sole discretion, determine (i) what monies and/or assets will be acceptable as Collateral and (ii) when will such monies and/or assets cease to be acceptable as Collateral, and determine the valuation to be attributed thereto.

7.03A.6.2 If any Collateral deposited or provided by any Clearing Member is found in any way to be unacceptable by the Clearing House, the Clearing House shall have the right to immediately give a zero value to such Collateral for the purposes of satisfying such Clearing Members' obligations under this Rules or as may otherwise be owing to the Clearing House, pursuant to which such Collateral was deposited or provided.

7.03A.6.3 Following revaluation of any Collateral deposited with or provided to the Clearing House, where such Collateral is found by the Clearing House to be insufficient to meet any obligation of the Clearing Member under this Rules or as may otherwise be owing to the Clearing House, pursuant to which such Collateral was deposited or provided, the Clearing Member shall deposit with or provide to the Clearing House such additional Collateral as may be required to meet such obligation, within such time as the Clearing House may require.

7.03A.6.4 In the event of any dispute as to any matters covered in this Rule, the Clearing House's decision shall be final and binding.

7.03A.7 Investment and Use of Collateral

7.03A.7.1 The Clearing House may invest, manage and use Collateral in such manner as it shall deem fit, provided that:

- a. Collateral in respect of Customer Contracts shall be invested in accordance with this Rules, the Security Deed and the SFA; and
- b. the Clearing House shall not use any Collateral received and notified to it as Collateral in respect of a Customer Contract to settle any obligations that are incurred in relation to a House Contract, except in accordance with this Rules, the Security Deed and the SFA.

<p><u>7.03A.7.2</u> Each Clearing Member shall secure contractual waivers in favour of the Clearing Member from its Customers waiving their respective rights to all interest and investment earnings from the Collateral held with or otherwise provided to the Clearing House in respect of Customer Contracts, in the form and manner as may be prescribed by the Clearing House, as may be necessary to give effect to the Clearing House's rights in relation to interest and fees under Rule 7.03A.8.</p>
<p><u>7.03A.7.3</u> All Collateral deposited or provided by each Clearing Member to the Clearing House shall be subject to this Rules, the Security Deed and the SFA (each as amended or supplemented from time to time). Each Clearing Member shall ensure that all Collateral deposited or provided to the Clearing House are deposited or provided only on the foregoing basis and shall also ensure that, prior to depositing or providing any Collateral to the Clearing House for the account or for the Contracts of any person, such person has been notified of and has accepted the foregoing.</p>
<p><u>7.03A.8 Fees and Interest</u></p>
<p><u>7.03A.8.1</u> The Clearing Member shall pay the Clearing House such administrative fees as may be prescribed by the Clearing House and notified to the Clearing Member from time to time for the investment and management of the Collateral. Administrative fees may be deducted from the investment earnings arising from or in connection with the Collateral or paid directly to the Clearing House as determined by the Clearing House.</p>
<p><u>7.03A.8.2</u> Unless otherwise provided for in this Rules, the Clearing House shall pay the Clearing Member interest on the Collateral at such rate and in such manner as prescribed by the Clearing House and notified to a Clearing Member.</p>
<p><u>7.03A.8.3</u> Except as set forth in this Rule, the Clearing House shall have no obligation to make payment of any other fees, interest and investment earnings arising from or in connection with the Collateral to any person.</p>
<p><u>7.03A.9 Safekeeping Indemnity</u></p>
<p><u>7.03A.9.1</u> Any Collateral accepted by Clearing House shall be deposited with the appropriate custodian(s) designated by the Clearing House for safekeeping in a Clearing House account for House Contracts or in a Clearing House account for Customer Contracts, as the case may be, and the Clearing House shall retain control over such Collateral.</p>
<p><u>7.03A.9.2</u> The Clearing House shall not have any obligation or responsibility to preserve, protect, collect or realise, and under no circumstances shall the Clearing House be liable for any loss or diminution in value or depreciation in or in connection with, the Collateral maintained pursuant to this Rule.</p>
<p><u>7.03A.9.3</u> A Clearing Member who maintains Collateral with the Clearing House pursuant to this Rule shall indemnify and hold the Clearing</p>

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House harmless from any loss, damage, costs, charges and/or expenses of whatsoever nature and howsoever arising ("Loss") suffered or incurred by the Clearing House to any designated custodian which may result from or arise with respect to:

- a. any act, delay or omission in connection with Collateral (whether by such Clearing Member or the Clearing House) deposited with such designated custodian; or
- b. any contract or agreement between the Clearing House and any designated custodian, or any representation, warranty or undertaking given by the Clearing House to any designated custodian, in relation to or otherwise in connection with Collateral deposited with such designated custodian,

provided that this indemnity shall not cover any Loss and/or liability of the Clearing House attributable or referable to the gross negligence or wilful misconduct of the Clearing House or any of the Clearing House's officers, agents and/or employees.

7.03A.9.4 If any loss of Collateral occurs, or any Collateral becomes unavailable to the Clearing House, such that any obligation of the Clearing Member under this Rules or as may otherwise be owing to the Clearing House, pursuant to which such Collateral was deposited or provided, cannot be sufficiently met as determined by the Clearing House, the Clearing Member shall deposit with or provide to the Clearing House such additional Collateral as may be required to meet such obligation, within such time as the Clearing House may require.

7.03A.10 Regulatory Information

Clearing Members shall provide the Clearing House with any information necessary in relation to such Collateral deposited with or provided to the Clearing House to enable the Clearing House to meet its reporting obligations to the Authority and/or other relevant governmental or regulatory authorities or for any other regulatory purposes, including but not limited to for withholding tax purposes.

7.04 Substitution

7.04.1 Relevant Market Trades

~~Except with respect to trades made pursuant to Rule 7.27 (other than a Relevant Trade as defined in Rule 7.27.3), Exchanges for Physicals/Spot ("EFPs"), Exchanges for Swaps ("EFSs"), Negotiated Large Trades ("NLTs") and transfers of open positions to an appointed Clearing Member for the purpose of consolidation pursuant to Rule 6.05.2 or as otherwise provided by this Rules, If the Clearing House accepts the clearing memoranda in respect of one or more contracts executed on a Relevant Market and matched on a Relevant Market to be cleared through the Clearing House, or accepted by the Clearing House pursuant to an Mutual Offset System, or if the Clearing House accepts~~

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~~an Eligible OTC Transaction registered for clearing according pursuant to Rule 7.02A.2, the Clearing House shall be substituted as and shall assume the position of selling Clearing Member to the buying Clearing Member and buying Clearing Member to the selling Clearing Member, thereby becoming the central counterparty, and thereupon the Clearing House shall have all the rights and be subject to all the liabilities with respect to such transaction of the Clearing Members who were the parties to such transaction. Such substitution shall be effective in law for all purposes.~~

7.04.1.1 Relevant Market trades cleared by two Clearing Members

When a contract matched on a Relevant Market is cleared through the Clearing House by two Clearing Members, upon matching of the contract on the Relevant Market, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. the Clearing Member who assumes the position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and
- b. the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.

7.04.1.2 The events described under Rule 7.04.1.1 shall be deemed not to have taken place if the Clearing House has received corrupt or unreadable data in respect of the original contract, or if the original contract is based on a series that is not eligible for clearing. Clearing Members will be notified in such instances.

7.04.1.3 Relevant Market trades cleared by a Clearing Member and a clearing member of another Relevant Market or its clearing house

Subject to Rule 7.04.1.4, when a contract matched on a Relevant Market is cleared by a Clearing Member and a clearing member of a Relevant Market or its clearing house (other than the Clearing House), the original contract shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. a Contract between the Clearing Member and Clearing House, wherein:
 - i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,
 - ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and

b. a Contract between the Relevant Market (or its clearing house) and the Clearing House, wherein:

i. the Relevant Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,

ii. the Relevant Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.

7.04.1.4 The events described under Rule 7.04.1.3 shall take place only upon the occurrence of the following:

a. matching of the original contract on the Relevant Market; and

b. confirmation by the Relevant Market (or its clearing house) that it will enter into the Contract described in Rule 7.04.1.3.b.

7.04.1.5 Notwithstanding Rule 7.04.1.4, the events described under Rule 7.04.1.3 shall be deemed not to have taken place if the Clearing House has received corrupt or unreadable data in respect of the original contract, or if the original contract is based on a series that is not eligible for clearing. Clearing Members will be notified in such instances.

7.04.1A Notwithstanding Rule 7.04.1, where a Contract is matched and executed on any Relevant Market to which the parties are:

a. a Clearing Member; and

b. a clearing member of a Relevant Market (or its clearing house) other than the Clearing House,

the Clearing House shall be substituted only as at the time that the Clearing House accepts the clearing memorandum in respect of the Contract and the requirements for the substitution of such other Relevant Market (or its clearing house) in respect of the opposite side of the Contract have been met. Upon the substitution of the Clearing House, it shall become the central counterparty between the Clearing Member and the clearing house of the opposite clearing member. Thereupon the Clearing House shall have all the rights and be subject to all the liabilities with respect to such transaction of the Clearing Member who was the parties to such transaction. Such substitution shall be effective in law for all purposes.

7.04.2 Off Market Trades (Excluding OTCF)

In respect of Designated Futures Contracts traded pursuant to the Mutual Offset System, upon Inter-Exchange Transfer (as defined) in Rule

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~~8.03 taking place the rights and liabilities of the Clearing House shall, subject to any agreement otherwise between the Clearing House and the relevant Participating Market, be as spelt out in the rules of the relevant Participating Market.~~

7.04.2.1 Eligible Non-Relevant Market Transactions cleared by two Clearing Members

When a contract registered and confirmed as an Eligible Non-Relevant Market Transaction pursuant to Rule 7.02A.2 between two Clearing Members is cleared through the Clearing House, upon confirmation of the contract, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. the Clearing Member who assumes the position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and
- b. the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.

7.04.2.2 EFP, EFS, NLT cleared by two Clearing Members

Subject to Rule 7.04.2.3, when a contract registered as an EFP, EFS or NLT between two Clearing Members is cleared through the Clearing House, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. the Clearing Member who assumes the position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and
- b. the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.

7.04.2.3 The events described under Rule 7.04.2.2 shall take place only upon: ~~the confirmation by the appropriate settlement bank(s) for both Clearing Members of the payment of the first maintenance margin and any Settlement Variation due pursuant to Rule 7.12.~~

- a. where both Clearing Members receive margin call pursuant to the first margin cycle run following the registration of the trade: ~~the later in time Confirmation by the Clearing Members' Settlement Bank(s) of the Payment Instructions in respect of the margin calls; or~~

- b. where only one Clearing Member receives margin call pursuant to the first margin cycle run following the registration of the trade: Confirmation by that Clearing Member's Settlement Bank of the Payment Instruction in respect of that margin call; or
- c. where neither Clearing Member receives margin call pursuant to the first margin cycle run for the trade: the end of that margin cycle.

7.04.2.4 EFP, EFS, NLT cleared by a Clearing Member and a clearing Member of another Relevant Market (or its clearing house

Subject to Rule 7.04.2.5, when a contract registered as an EFP, EFS or NLT between a Clearing Member and a clearing member of a Relevant Market or its clearing house (other than the Clearing House) is cleared through the Clearing House, the original contract shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. a Contract between the Clearing Member and Clearing House, wherein:
 - i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,
 - ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and
- b. a Contract between the Relevant Market (or its clearing house) and the Clearing House, wherein:
 - i. the Relevant Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,
 - ii. the Relevant Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.

7.04.2.5 The events described under Rule 7.04.2.4 shall take place only upon the occurrence of the following:

- a. Confirmation by the Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the Clearing Member pursuant to the first margin cycle run following the registration of the trade, or, if no such margin call is received, the end of that margin cycle; and
- b. confirmation by the Relevant Market (or its clearing house) that it will enter into the Contract described in Rule 7.04.2.4.b.

7.04.3 Transfers

~~With regard to trades made pursuant to Rule 7.27 (other than a Relevant Trade as defined in Rule 7.27.3), EFPs, EFSs and NLTs, the Clearing House shall be substituted as follows:~~

7.04.3.1 Mutual Offset System transfers

~~in the case of trades made pursuant to Rule 7.27 (other than a Relevant Trade as defined in Rule 7.27.3), EFPs, EFSs and NLTs between Clearing Members, only as at the time of payment of the first maintenance margin and any Settlement Variation due for such trades pursuant to Rule 7.12 as confirmed by the appropriate settlement bank(s) for both Clearing Members; or When an open position in a Designated Futures Contract is transferred from a clearing member of any other Participating Market (or its clearing house) to a Clearing Member pursuant to Rule 8.03.1.3, upon such transfer being effective, two separate and distinct Contracts shall be created on the same terms as the open position:~~

- ~~a. a Contract between the Clearing Member and Clearing House, wherein:~~
 - ~~i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,~~
 - ~~ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and~~
- ~~b. a Contract between the Participating Market (or its clearing house) and the Clearing House, wherein:~~
 - ~~i. the Participating Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,~~
 - ~~ii. the Participating Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.~~

7.04.3.2 Transfers for consolidation between two Clearing Members

~~in the case of EFPs, EFSs and NLTs between a Clearing Member and a clearing member of any other Relevant Market (or its clearing house), only as at the time of payment of the first maintenance margin and any Settlement Variation due for such trades pursuant to Rule 7.12 as confirmed by the appropriate settlement bank for the Clearing Members and confirmation from such other Relevant Market (or its clearing house) that the requirements for its substitution have been met. Subject to Rule 7.04.3.3, when an~~

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open position is transferred from a Clearing Member to an appointed Clearing Member pursuant to Rule 6.05.2 for the purpose of consolidation, the original Contract in respect of the open position shall be discharged and replaced by a separate and distinct Contract between the appointed Clearing Member and the Clearing House on the same terms as the original Contract, as described below:

- a. the Clearing House assumes the position of the buyer if the appointed Clearing Member assumes the position of the seller, and conversely,
- b. the Clearing House assumes the position of the seller if the appointed Clearing Member assumes the position of the buyer.

7.04.3.3 The events described under Rule 7.04.3.2 shall take place only upon the occurrence of the following:

- a. Confirmation by the appointed Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the Clearing Member pursuant to the first margin cycle run following the transfer, or, if no such margin call is received, the end of that margin cycle; or
- b. the posting of Performance Deposits as prescribed in Rule 6.02A.7B, due pursuant to Rule 6.07.1 or the relevant Contract Specifications, by the appointed Clearing Member,

whichever is applicable, or if both Rule 7.04.3.3.a and Rule 7.04.3.3.b are applicable, only upon the later in time occurrence of the matters described in Rule 7.04.3.3.a and Rule 7.04.3.3.b.

7.04.3.4 **Transfers for consolidation from a clearing member of another Relevant Market (or its clearing house) to a Clearing Member**

Subject to Rule 7.04.3.5, when an open position is transferred from a clearing member of any other Relevant Market (or its clearing house) to a Clearing Member pursuant to Rule 6.05.2 for the purpose of consolidation, two separate and distinct Contracts shall be created on the same terms as the open position:

- a. a Contract between the Clearing Member and Clearing House, wherein:
 - i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,

- ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and
- b. a Contract between the Relevant Market (or its clearing house) and the Clearing House, wherein:
 - i. the Relevant Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,
 - ii. the Relevant Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.

7.04.3.5 The events described under Rule 7.04.3.4 shall take place only upon the later in time occurrence of the following:

- a. Confirmation by the Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the Clearing Member pursuant to the first margin cycle run following the transfer, or if no such margin call is received, the end of that margin cycle; and
- b. confirmation by the Relevant Market (or its clearing house) that it will enter into the Contract described in Rule 7.04.3.4.b.

7.04.3.6 Transfers for consolidation from a Clearing Member to a clearing member of another Relevant Market (or its clearing house)

Subject to Rule 7.04.3.7, when an open position is transferred from a Clearing Member to a clearing member of any other Relevant Market (or its clearing house) pursuant to Rule 6.05.2 for the purpose of consolidation, the Contract between the Clearing Member and the Clearing House in respect of the open position shall be terminated.

7.04.3.7 The event described under Rule 7.04.3.6 shall take place only upon the confirmation by the other Relevant Market (or its clearing house) that it will enter into a contract with its clearing member in respect of such open position.

7.04.3.8 Transfers pursuant to Rule 7.28 from a clearing member of another Relevant Market (or its clearing house) to a Clearing Member

Subject to Rule 7.04.3.9, when an open position is transferred from a clearing member of any other Relevant Market (or its clearing house) to a Clearing Member pursuant to Rule 7.28 at the request of a Customer, two separate and distinct Contracts shall be created on the same terms as the open position:

- a. a Contract between the Clearing Member and Clearing House, wherein:
 - i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,
 - ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and
- b. a Contract between the Relevant Market (or its clearing house) and the Clearing House, wherein:
 - i. the Relevant Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,
 - ii. the Relevant Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.

7.04.3.9 The events described under Rule 7.04.3.8 shall take place only upon the later in time occurrence of the following:

- a. Confirmation by the Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the Clearing Member pursuant to the first margin cycle run following the transfer, or, if no such margin call is received, the end of that margin cycle; and
- b. confirmation by the Relevant Market (or its clearing house) that it will enter into the Contract described in Rule 7.04.3.8.b.

7.04.3.10 **Transfers pursuant to Rule 7.28 from a Clearing Member to a clearing member of another Relevant Market (or its clearing house)**

Subject to Rule 7.04.3.11, when an open position is transferred from a Clearing Member to a clearing member of any other Relevant Market (or its clearing house) pursuant to Rule 7.28 at the request of a Customer, the Contract between the Clearing Member and the Clearing House in respect of the open position shall be terminated.

7.04.3.11 The event described under Rule 7.04.3.10 shall take place only upon the later in time occurrence of the following:

- a. Confirmation by the Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the Clearing Member pursuant to the first margin cycle run following the transfer, or, if no such margin call is received, the end of that margin cycle; and

b. confirmation by the other Relevant Market (or its clearing house) that it will enter into a contract with its clearing member in respect of such open position.

7.04.3.12 Transfers from a defaulted/suspended Clearing Member to a designated Clearing Member

Subject to Rule 7.04.3.13, when an open position is transferred from a defaulted or suspended Clearing Member to a designated Clearing Member pursuant to Rule 7A.02.1.1, the original Contract in respect of the open position shall be discharged and replaced by a separate and distinct Contract between the designated Clearing Member and the Clearing House on the same terms as the original Contract, as described below:

- a. the Clearing House assumes the position of the buyer if the appointed Clearing Member assumes the position of the seller, and conversely,
- b. the Clearing House assumes the position of the seller if the appointed Clearing Member assumes the position of the buyer.

7.04.3.13 The events described under Rule 7.04.3.12 shall take place only upon Confirmation by the designated Clearing Member's Settlement Bank of the Payment Instruction in respect of the margin call received by the designated Clearing Member pursuant to the first margin cycle run following the transfer, or, if no such margin call is received, the end of that margin cycle.

7.04.3.14 Transfers pursuant to Rule 7.27 between two Clearing Members

Subject to Rule 7.04.3.15, when an open position is transferred from a Clearing Member ("Original Party") to another Clearing Member ("New Party") pursuant to Rule 7.27, excluding Rule 7.27.1.5, the original Contract between the Original Party and the Clearing House in respect of the open position shall be discharged and replaced by a separate and distinct Contract between the New Party and the Clearing House on the same terms as the original Contract, as described below:

- a. the Clearing House assumes the position of the buyer if the New Party assumes the position of the seller, and conversely,
- b. the Clearing House assumes the position of the seller if the New Party assumes the position of the buyer.

For the purposes of Rule 7.04.3.14, "Original Party" and "New Party" shall be as defined herein.

7.04.3.15 The events described under Rule 7.04.3.14 shall take place only upon:

- a. where both Clearing Members receive margin call pursuant to the first margin cycle run following the transfer: the later in time Confirmation by the Clearing Members' Settlement Bank(s) of the Payment Instructions in respect of the margin calls; or
- b. where only one Clearing Member receives margin call pursuant to the first margin cycle run following the transfer: Confirmation by that Clearing Member's Settlement Bank of the Payment Instruction in respect of that margin call; or
- c. where neither Clearing Member receives margin call pursuant to the first margin cycle run following the transfer: the end of that margin cycle.

7.04.3.16 Transfers pursuant to Rule 7.27.1.5 for order fill/give-up from a Clearing Member or a clearing member of another Relevant Market (or its clearing house) to another Clearing Member

Subject to Rule 7.04.3.17, when an open position is transferred for the purpose of filling an order or as a give-up by a Clearing Member or a clearing member of another Relevant Market (or its clearing house) ("Original Party") to another Clearing Member ("New Party") pursuant to Rule 7.27.1.5, the original Contract between the Original Party and the Clearing House in respect of the open position shall be discharged and replaced by a separate and distinct Contract between the New Party and the Clearing House on the same terms as the original Contract, as described below:

- a. the Clearing House assumes the position of the buyer if the New Party assumes the position of the seller, and conversely,
- b. the Clearing House assumes the position of the seller if the New Party assumes the position of the buyer.

For the purposes of Rule 7.04.3.16, "Original Party" and "New Party" shall be as defined herein.

7.04.3.17 The events described under Rule 7.04.3.16 shall take place only if they occur on the same trading day as the creation of the open position and only upon the approval of the transfer by the Clearing House.

7.04.3A

~~With regard to transfers of open positions to an appointed Clearing Member for the purpose of consolidation pursuant to Rule 6.05.2, the Clearing House shall be substituted only as at the time of:~~

~~7.04.3A.1 payment of the first maintenance margin and any Settlement Variation due for such open positions pursuant to Rule 7.12 as confirmed by the appropriate settlement bank for the appointed Clearing Member; and/or~~

<p>7.04.3A.2 posting of Performance Deposits as prescribed in <u>Rule 6.02A.7B</u>, due for such open positions pursuant to <u>Rule 6.07.1</u> or the relevant Contract Specifications by the appointed Clearing Member,</p> <p>whichever is applicable.</p>
<p>7.04.3B</p>
<p>With regard to transfers of open positions from a Clearing Member to the appointed clearing member of any other Relevant Market (or its clearing house) for the purpose of consolidation pursuant to <u>Rule 6.05.2</u>, the Clearing House shall cease to stand as counterparty to the Clearing Member in respect of the transferred position only upon confirmation from such other Relevant Market (or its clearing house) that the requirements for its substitution as the counterparty to the appointed clearing member in respect of the transferred positions have been met.</p>
<p>7.04.3C</p>
<p>With regard to transfers of positions from a clearing member of another Relevant Market to a Clearing Member pursuant to Rule 7.28, the Clearing House shall be substituted only as at the time of payment of the first maintenance margin and any Settlement Variation due for such trades pursuant to Rule 7.12 as confirmed by the appropriate settlement bank for the Clearing Member and confirmation from such other Relevant Market (or its clearing house) that the requirements for its cessation as counterparty in respect of the transferred positions have been met.</p>
<p>7.04.3D</p>
<p>With regard to transfers of positions from a Clearing Member to a clearing member of any other Relevant Market pursuant to Rule 7.28, the Clearing House shall cease to stand as counterparty in respect of the transferred positions only as at the time of payment of the first maintenance margin and any Settlement Variation due for such trades pursuant to Rule 7.12 as confirmed by the appropriate settlement bank for the Clearing Member and confirmation from such other Relevant Market (or its clearing house) that the requirements for its substitution in respect of the transferred positions have been met.</p>
<p>7.04.3E</p>
<p>With regard to transfers of positions from a defaulted or suspended Clearing Member to another Clearing Member designated by the Clearing House, pursuant to Rule 7A.02.1.1, the Clearing House shall be substituted only as at the time of payment of the first maintenance margins and any Settlement Variation due for such trades pursuant to Rule 7.12 as confirmed by the appropriate settlement bank for the designated Clearing Member.</p>

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7.04.4 [Rule has been deleted.]

~~Upon the transfer of an open contract pursuant to this Rules and its acceptance for clearing in accordance with this Rules, such open contract shall be discharged and replaced by novation by an open contract between the Clearing Member into whose name the open contract was transferred and the Clearing House, as principals to such open contract.~~

7.04.5 Options exercise

7.04.5.1 Upon the exercise of an ~~an~~ futures-option eContract by or on behalf of a Clearing Member or, as the case may be, by the Clearing House or upon the deemed exercise of such option eContract pursuant to this Rules or the rules of the Relevant Market at which the option eContract was traded, the option eContract shall be replaced by an open eContract in the underlying under the terms specified in the option eContract at the strike price or at some other price in accordance with the terms of such option eContract.

7.04.5.2 Upon the assignment of an option Contract by the Clearing House, the option Contract shall be replaced by an open Contract in the underlying under the terms specified in the option Contract at the strike price or at some other price in accordance with the terms of such option Contract.

7.04.5A Eligible OTCF Transactions

~~If the Clearing House accepts an Eligible OTCF Transaction registered for clearing pursuant to Rule 7.02AA.2, the Clearing House shall, subject always to Rule 7.04.5C, be substituted as and shall assume the position of:~~

~~(a) the Clearing Member who:~~

~~(i) is the First Original OTCF Contract Counterparty; or~~

~~(ii) assumes the duties and obligations of the First Original OTCF Contract Counterparty to the Clearing Member who:~~

~~(iii) is the Second Original OTCF Contract Counterparty; or~~

~~(iv) assumes the duties and obligations of the Second Original OTCF Contract Counterparty; and~~

~~(b) the Clearing Member who:~~

~~(i) is the Second Original OTCF Contract Counterparty; or~~

- ~~(ii) — assumes the duties and obligations of the Second Original OTCF Contract Counterparty to the Clearing Member who:~~
- ~~(iii) — is the First Original OTCF Contract Counterparty; or~~
- ~~(iv) — assumes the duties and obligations of the First Original OTCF Contract Counterparty, thereby becoming the central counterparty, and thereupon the Clearing House shall have all the rights and be subject to all the liabilities with respect to such transaction of the Clearing Members who were the parties to such transaction. Such substitution shall be effective in law for all purposes.~~

7.04.5A.1 Subject to Rule 7.04.5A.3, when a contract registered as an Eligible OTCF Transaction pursuant to Rule 7.02AA.2 between a Clearing Member who is or who represents the First Original OTCF Contract Counterparty (“First Clearing Member”) and a Clearing Member who is or who represents the Second Original OTCF Contract Counterparty (“Second Clearing Member”) is cleared through the Clearing House, the original contract between the First Clearing Member and Second Clearing Member shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. the First Clearing Member shall enter into a Contract with the Clearing House, which assumes the rights and obligations of the Second Clearing Member as against the First Clearing Member in the original Contract, and
- b. the Second Clearing Member shall enter into a Contract with the Clearing House, which assumes the rights and obligations of the First Clearing Member as against the Second Clearing Member in the original Contract.

~~7.04.5BA.2 Upon the transfer of an OTCF Contract pursuant to this Rules and its acceptance for clearing in accordance with this Rules, such OTCF Contract shall, subject always to Rule 7.04.5C, be discharged and replaced by novation by a Contract between the Clearing Member into whose name the OTCF Contract was transferred and the Clearing House, as principals to such OTCF Contract. Subject to Rule 7.04.5A.3, when an open position in an OTCF Contract is transferred from a Clearing Member (“Original Party”) to another Clearing Member (“New Party”) pursuant to this Rules, the original OTCF Contract between the Original Party and the Clearing House in respect of the open position shall be discharged and replaced by a separate and distinct Contract between the New Party and Clearing House on the same terms as the original OTCF Contract between the Original Party and the Clearing House, wherein the New Party assumes the rights and obligations of the Original Party as against the Clearing House in the original Contract.~~

For the purposes of Rule 7.04.5A.2, “Original Party” and “New Party” shall be as defined herein.

~~7.04.5~~CA.3 ~~Subject to Rule 7.04.5E, the Clearing House shall require a Clearing Member in whose name an Eligible OTCF Transaction has been registered to provide the Clearing House with sufficient collateral to meet margin requirements and any Settlement Variation, and to fulfil such other requirements prescribed by the Clearing House from time to time prior to substitution pursuant to Rule 7.04.5A or 7.04.5B.~~

The events described under Rule 7.04.5A.1 and 7.04.5A.2 shall take place only upon the latest in time occurrence of the following:

- a. the successful registration of the Eligible OTCF Transaction or approval of transfer of OTCF Contract;
- b. the provision of sufficient Collateral by the Clearing Members to the Clearing House to meet margin requirements and any Settlement Variation; and
- c. the fulfilment of such other requirements prescribed by the Clearing House from time to time.

~~7.04.5~~DA.4 ~~With effect from~~ Upon the occurrence of the events described under novation of each OTCF Contract to the Clearing House pursuant to Rule 7.04.5A.1 or 7.04.5BA.2, each OTCF Transaction to which such OTCF Contract relates shall be governed by the OTCF Contract Terms as set out in the OTCF Clearing Member Handbook and by Circulars issued by the Clearing House from time to time.

7.04.5EA.5 A Clearing Member in whose name an Eligible OTCF Transaction is to be registered:

- a. shall not be subject to Rule 7.04.5CA.3; and
- b. shall be required to provide the Clearing House with sufficient eCollateral to meet margin requirements and any Settlement Variation, and to fulfil such other requirements prescribed by the Clearing House from time to time immediately upon becoming a counterparty to the Clearing House or within such time prescribed by the Clearing House,

if such Eligible OTCF Transaction is entered into or transferred to such Clearing Member for the purpose of executing the default proceedings pursuant to Rule 7A.02.1.

7.04.5FA.6 Notwithstanding that an Eligible OTCF Transaction has been successfully registered pursuant to Rule 7.02AA.2 and is pending novation, the Clearing House may, in its sole discretion, disallow the novation of the OTCF Contract relating to such Eligible OTCF Transaction if any of the events of default set out in Rule 7A.06.5.1 occurs or is, in the reasonable opinion of the Clearing House, about to occur in relation to the Clearing Member in whose name such Eligible OTCF Transaction has been registered.

7.10 Recap Ledger
7.10.1
<p>The Clearing House will produce a recap ledger for each Clearing Member which will itemise, <u>among other things</u>, the incoming positions in respect of any Contract; the position changes for the day, the closing positions in respect of any Contract; the net settlements, pay or collect, margins required at the close of the day, the current <u>day's</u> margin balance, and the combined net debit <u>balance(s) payable by the Clearing Member and/or net credit balance(s) payable by the Clearing House</u> for the day.</p> <p><u>The net debit balance(s) reflected on the recap ledger, excluding those arising from margin withdrawals (“Net Debit Balance(s)”) and the net credit balance(s) reflected on the recap ledger, excluding those arising from margin deposits and calls (“Net Credit Balance(s)”) shall be payable in accordance with Rule 7.14.</u></p>
7.10.2
<p>If a Clearing Member believes that there is any error in the recap ledger, the Clearing Member must immediately notify the Clearing House in writing and in any event, no later than 5 p.m. on the following Business Day.</p> <p>Violation of this Rule may constitute a major offence.</p>
7.12 Settlement to Settlement Price Daily
7.12.2
<p>Such settlement must be paid in cash in the respective currencies of the Contracts, <u>or such other currency as the Clearing House may prescribe in the interest of a safe and efficient clearing facility, and at such exchange rate as determined by the Clearing House. Without prejudice to the generality of the foregoing, the Clearing House may refer to exchange rates published by data vendors in determining the relevant exchange rates.</u></p>
<u>7.12.7</u>
<p><u>In respect of the payment of relevant premiums on establishment of an option contract as referred to in Rule 7.12.6, such payment must be paid in cash in the respective currencies of the options contract, or such other currency as the Clearing House may prescribe in the interest of a safe and efficient clearing facility, and at such exchange rate as determined by the Clearing House. Without prejudice to the generality of the foregoing, the Clearing House may refer to exchange rates published by data vendors in determining the relevant exchange rates.</u></p>

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7.13A Settlement Variation for OTCF Contracts

7.13A.3

Notwithstanding Rule 7.13A.2, the Clearing House may, in the interest of a safe and efficient clearing facility, prescribe that Settlement Variation and any interest payable on Settlement Variation (where relevant) as calculated and/or determined at such time as the Clearing House shall determine, be paid in any other currency, and at such exchange rate as determined by the Clearing House. Without prejudice to the generality of the foregoing, the Clearing House may refer to exchange rates published by data vendors in determining the relevant exchange rates.

7.14 Net Debit Balances and Net Credit Balances

7.14.1

If the recap ledger of any Clearing Member ~~for the day~~ shows a Net Debit Balance against such Clearing Member;

- (a) and if it appears to the Clearing House that the Clearing Member will have insufficient cash margin held by the Clearing House to apply towards payment of the Clearing Member's Net Debit Balance, the Clearing Member shall receive margin call and be required to deposit additional cash collateral to cover the shortage in such cash margin;
- (b) payment ~~offer~~ such Net Debit Balance shall be effected at the Confirmation Cut Off Time, by the Clearing House applying debited directly against the Clearing Member's cash margin held ~~by with the~~ Clearing House towards payment of such Net Debit Balance. If, at the Confirmation Cut Off Time, the Clearing Member has insufficient cash margin held with the Clearing House to apply towards payment of the full Net Debit Balance, all of such cash margin will, at the Confirmation Cut Off Time, be applied towards payment of such portion of the Net Debit Balance as it covers; and.
- (c) such application shall constitute final and irrevocable settlement of the Clearing Member's obligation to pay such Net Debit Balance or such portion of the Net Debit Balance (as the case may be) to the Clearing House.

~~The Clearing Member shall receive margin call and be required to deposit addition collateral to cover any shortage in its cash margin held with the Clearing House arising from the payment for such debit balance.~~

Violation of this Rule may constitute a major offence.

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7.14.2

If ~~such the~~ recap ledger of any Clearing Member shows a Net Credit Balance in favour of such Clearing Member ~~after the Clearing House has tallied all credit balances enumerated thereon,~~ payment of such Net Credit Balance shall be effected at the Confirmation Cut Off Time, by the Clearing House will crediting the Net Credit Balance directly to the Clearing Member's cash margin held ~~by with the~~ Clearing House. Such crediting shall constitute final and irrevocable settlement of the Clearing House's obligation to pay such Net Credit Balance to the Clearing Member.

7.14.3

"Confirmation Cut Off Time", in relation to the Net Debit Balance or the Net Credit Balance shown in the recap ledger of any Clearing Member shall, for the purposes of this Rule 7.14, mean the cut-off time for Confirmation in respect of any margin call that may be made in that recap ledger, as notified by the Clearing House to Clearing Members.

7.18 **General Lien and Right to Set-Off**

7.18.1

~~The Clearing House shall have a lien on all monies and other properties deposited with the Clearing House and on any other assets of the Clearing Member which may be or become available to the Clearing House.~~

7.18.21

Without prejudice to the generality of the foregoing, in addition to any Security Interest or other right or remedy which the Clearing House may have under this Rules, contract, law or equity, and subject to any applicable restrictions pursuant to the provisions of the SFA and/or imposed by the Authority, the Clearing House may at any time ~~combine-consolidate~~ any or all accounts (notwithstanding that relevant positions in such accounts have not been closed out) of the Clearing Member ~~with its liabilities to the Clearing House~~ and set-off and/or transfer and/or apply any ~~Collateral~~ Collateral in such accounts towards satisfaction of any liabilities of the Clearing Member to the Clearing House, whether or not:

7.18.1.1 such Collateral and liabilities accounts are denominated in the same currency; and

7.18.1.2 such liabilities are due, owing or incurred, or joint or several.

7.19 **Clearing House Margins**

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7.19.1

All margins deposited with or provided to the Clearing House by Clearing Members shall be retained by the Clearing House in whole or in part, as the Clearing House may deem necessary but, subject to ~~thesethis~~ Rules (and in particular, Rule 7.03A.3, 7.03A.5, Rule 7.18 and Rule 7.03-17A.05.1) and the Security Deed, may be returned to the Clearing Member when the positions for which such margins have been deposited or provided have been liquidated. Notwithstanding the foregoing, the Clearing House may retain margins for freight forward contracts for tanker voyage routes in relation to any potential Flat Rate adjustment, even after the positions of the Clearing Member have been liquidated.

7.20 Margin Amounts

7.20.1 Acceptable Margin

Margin requirements shall be prescribed by the Clearing House from time to time. The Clearing House will accept as margin, cash, government securities, or ~~C~~common Sstocks, units of listed business trusts or units of listed real estate investment trusts or Letters of Credit to the order of the Clearing House in a form and from a bank acceptable to the Clearing House (and in accordance with such procedures as may be prescribed by the Clearing House) ~~(individually "Asset or Property" and collectively "Assets or Properties")~~, all of which must be and remain unencumbered, unless otherwise permitted or contemplated under this Rules, the Security Deed or the SFA.

The Clearing Member shall notify the Clearing House as to whether such Collateral are to be maintained for its Customer Contracts or its House Contracts. Such Collateral will be held by the Clearing House for that relevant account.

~~A Clearing Member may on approval and as prescribed by the Clearing House deposit such Assets or Properties, subject to such terms and conditions as shall have been approved by the Clearing House and in such denominations as may be prescribed by the Clearing House from time to time towards the satisfaction of margining obligations prescribed under these Rules.~~

~~The Clearing Member shall designate, whether such Assets or Properties are to be maintained as margin for its Customer Contracts or its House Contracts. Such Assets or Properties will be held by the Clearing House for that relevant account.~~

~~The Clearing House shall value such Assets and Properties for margin purposes as it deems appropriate. The Clearing House shall, at its sole discretion, determine what Asset or Property will be acceptable as margin and to determine when any Asset or Property will cease to be acceptable as margin and valuation to be attributed thereto.~~

~~If any Asset or Property lodged by any Clearing Member is found in any way to be unacceptable by the Clearing House, such Asset or Property~~

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~~will immediately be given zero value for the purposes of the Clearing Member's margin obligations under these Rules. Replacement margin may be immediately required from the Clearing Member in such an event.~~

~~In the event of any dispute as to any matters covered in this Rule, the Clearing House's decision shall be final and binding.~~

7.20.2 Margin Composition

Without prejudice to the generality of the foregoing, the aggregate amount of Collateral Assets or Properties deposited with or provided to the Clearing House in respect of the aggregate required margin ~~total margin requirements~~ in relation to Customers' and House Contracts must each separately comply with each of the following:

7.20.2.1 ~~for Clearing Members whose~~where the relevant total margin requirements are US\$1,000,000 (~~of or~~ its equivalent) or less, the entire margin requirements must be in the form of cash and/or government securities; and

7.20.2.2 ~~for Clearing Members whose~~where the relevant total margin requirements are more than US\$1,000,000 (or its equivalent), cash and/or government securities must constitute at least the first US\$1,000,000 or ~~40~~60 percent of the total margin requirements whichever is the greater; ~~and~~

~~7.20.2.3 [Rule has been deleted] for clearing of the following Contract Classes, 60 percent of the total margin requirements must be in the form of:~~

~~(a) for clearing of Contracts traded on the Exchange or any Relevant Market or OTC Contracts, cash, government securities and/or Letters of Credit; and~~

~~(b) for clearing of OTCF Contracts, cash and government securities.~~

7.20.3 Calculation of Margin

The amount of margins required to be deposited by any Clearing Member with the Clearing House shall be calculated and determined:

7.20.3.1 on a cumulative gross basis with reference to all open positions (both long and short) for which such Clearing Member is responsible and in accordance with procedures prescribed by the Clearing House; and/or

7.20.3.2 on a cumulative gross basis with respect to cumulative Settlement Variation for freight forward contracts for tanker voyage routes, with reference to any potential adjustments to the Flat Rate.

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7.20.3A

The Clearing House may make margin calls in respect of the margin requirements prescribed pursuant to this Rule 7.20. Such margin calls shall be paid by such time and means as the Clearing House shall prescribe.

~~7.20.4~~ — ~~Regulatory Information~~ [Rule has been deleted.]

~~Clearing Members shall provide the Clearing House with any information necessary in relation to such Assets and Properties deposited with the Clearing House as margin for regulatory purposes including but not limited to withholding tax purposes.~~

~~7.20.5~~ — ~~Safekeeping Indemnity~~ [Rule has been deleted.]

~~7.20.5.1~~ — ~~The government securities and Common Stocks (collectively, "Securities") accepted by Clearing House as margin shall be deposited with the appropriate custodian(s) designated by the Clearing House for safekeeping in a Clearing House account for House Contracts or in a Clearing House account for Customers' Contracts, as the case may be, and the Clearing House shall retain control over the Securities as a part of the margin of such Clearing Member.~~

~~7.20.5.2~~ — ~~The Clearing House shall not have any obligation or responsibility to preserve, protect, collect or realise, and under no circumstances shall the Clearing House be liable for any loss or diminution in value or depreciation in or in connection with, the Securities maintained pursuant to this rule.~~

~~7.20.5.3~~ — ~~A Clearing Member who maintains Securities with the Clearing House pursuant to this rule shall indemnify and hold the Clearing House harmless from any loss, damage, costs, charges and/or expenses of whatsoever nature and howsoever arising ("Loss") suffered or incurred by the Clearing House to any designated custodian which may result from or arise with respect to:~~

- ~~a. any act, delay or omission in connection with Securities (whether by such Clearing Member or the Clearing House) deposited with such designated custodian; or~~
- ~~b. any contract or agreement between the Clearing House and any designated custodian, or any representation, warranty or undertaking given by the Clearing House to any designated custodian, in relation to or otherwise in connection with Securities deposited with such designated custodian,~~

~~PROVIDED THAT this indemnity shall not cover any Loss and/or liability of the Clearing House attributable or referable to the gross negligence or wilful misconduct of the Clearing House or any of the Clearing House's officers, agents and/or employees.~~

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~~7.20.5.4— Each Clearing Member shall pay the Clearing House for all fees, expenses, charges and costs incurred by the Clearing House in relation to its acceptance of Securities prescribed under this rule as the Clearing House may determine from time to time, and shall make such deposits of margins (in such form as may be acceptable to the Clearing House) as may be required by the Clearing House by reason of any depreciation in the market value of such Securities.~~

~~7.20.5.5— If a Clearing Member defaults in fulfilling its obligations to the Clearing House in accordance with the provisions of these Rules, the Securities maintained in the Clearing House's account may be disposed of, without notice, in any manner deemed appropriate by the Clearing House and the proceeds from the sale of the Securities deposited for the Customer Contracts shall be applied against the margin requirements or any other obligations of the Clearing Members' Customer Accounts, and the proceeds from the sale of Securities deposited for House Contracts shall be applied against the margin requirements or any other obligations of the House Account and then for Customers.~~

~~7.21.1— **Margin and Security Deposit Returns** [Rule has been deleted.]~~

~~The Clearing House shall credit all margins (initial, maintenance and emergency) and Security Deposits which a Clearing Member has on deposit with the Clearing House pursuant to this Rules with interest, dividends and any other returns/entitlements on the full amount in accordance with a schedule to be prescribed by the Clearing House from time to time except for money continued to be held pursuant to Rule 7.18 consequent/subsequent to a Clearing Member's default.~~

CHAPTER 7A – SUSPENSION AND DEFAULT

7A.01 Suspension of Clearing Members

7A.01.1

The Clearing House shall be entitled to restrict the activities of the Clearing Member on the Clearing House or suspend the Clearing Member without prior notice if:

7A.01.1.1 the Clearing Member becomes insolvent or is deemed insolvent;

7A.01.1.2 unless exempted, ceases to hold a valid capital markets services licence as prescribed under the SFA, or ceases to be authorised to conduct banking business in Singapore pursuant to section 4 of the Banking Act, where applicable;

7A.01.1.3 the Clearing House is of the opinion that the integrity of the Clearing Member, in relation to its financial integrity or conduct, or

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the Clearing House's ability to operate a safe and efficient clearing facility is, or may be, materially compromised in any of the following events:

- a. the parent company or related corporation of the Clearing Member becomes insolvent or is deemed insolvent;
- b. the Clearing Member is suspended or expelled from membership of any Relevant Market or its clearing house;
- c. the Clearing Member fails to comply with or settle any of its financial obligations under the rules and regulations of any exchange or clearing house of which it is a member; ~~or~~
- d. the Clearing Member fails duly to perform or is, in the opinion of the Clearing House, in breach of:
 - i. any provision of this Rules;
 - ii. any Directive which is in force from time to time; or
 - iii. any agreement, understanding or arrangement which the Clearing Member has with the Clearing House from time to time ~~;~~ or

7A.01.1.4 the Clearing House, in its absolute discretion, considers it necessary or desirable to protect its own interests, the interests of other Clearing Members and/or the interests of the customers of the Clearing Member.

7A.01A Events of Default

7A.01A.1

On the occurrence of any of the following events, or if the Clearing House in its discretion determines that any of the following events has occurred, the Clearing House may declare an event of default:-

- a. the insufficiency of a Clearing Member's Collateral to discharge such Clearing Member's obligations to the Clearing House; or
- b. the insufficiency of the Collateral of any other Relevant Market, including a Participating Market, available to the Clearing House to fully meet such other Relevant Market's and/or its clearing house's obligations to the Clearing House; or

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- c. the insolvency of a Clearing Member (as determined by Rule 7A.01.3), any other Relevant Market which clears the opposite side of any Contract, including a Participating Market, and/or its clearing house or any depository (as defined in Rule 2.35.4); or
- d. conversion, theft, breach of trust, embezzlement, or any other similar cause, caused or suffered by or in connection with a Clearing Member.

7A.01A.2

Subject to Rule 7A.06.6.4 and provided that the defaulted Clearing Member's Collateral deposited with or provided to SGX-DC has been fully applied in accordance with Rule 7A.05.01, any loss suffered by the Clearing House arising from or in connection with an event of default shall be met and made good promptly by the use and application of funds from the following sources (collectively known as the "Clearing Fund") in the order of priority hereafter listed, with each source of funds to be completely exhausted, subject to the limitations contained therein, before the next source is applied:—

- a. Clearing House Contribution.
- b. Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where each Clearing Member had:
 - i. cleared Contracts belonging to the Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or
 - ii. an open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House (with the periods at Rules 7A.01A.2.b.i and 7A.01A.2.b.ii collectively referred to as the "Relevant Periods").

Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.01A.5.2.b.

- c. Further Assessment Amounts (as prescribed under Rule 7A.06.3, and excluding any Clearing Member who is insolvent or deemed to be insolvent) of the same category of Clearing Members referred to in Rule 7A.01A.2.b. Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amount requirement for the category of Clearing Members referred to in Rule 7A.01A.2.b.
- c1. Any contributions to the Clearing Fund by the Clearing House or any of its related entities to that Contract Class in which the event of

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default occurred, the amount of such contributions (if any) to be determined by the Clearing House in its sole discretion.

d. Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where that Clearing Member had:—

i. cleared Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or

ii. an open commitment in Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or

iii. not cleared or had no open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the Relevant Periods.

Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.01A.2.d, provided always that if such Clearing Member's Security Deposit had been applied pursuant to Rule 7A.01A.2.b, its Security Deposits shall not be applied again pursuant to this Rule 7A.06.5.2.d.

e. Further Assessment Amounts (as prescribed under Rule 7A.06.3 of the same category of Clearing Members referred to in Rule 7A.01A.2.d (excluding any Clearing Member which has been levied the maximum amount that may be levied against it pursuant to 7A.01A.2.c). Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amounts requirement for the category of Clearing Members referred to in Rule 7A.01A.2.d; and

f. any other contributions to the Clearing Fund.

7A.01A.3

Where Clearing Members' Security Deposit or Further Assessment Amounts are used and applied in accordance with Rules 7A.01A.2.b, c, d or e, the limits to one or more Clearing Members' liabilities in respect of such funds as set out in Rule 2.28.2A or Rule 7A.06.6.6 may be reached. As a consequence of the foregoing, the contributions of Clearing Members which remain liable in respect of the relevant source of funds may remain unexhausted, while outstanding losses remain following such use and application of the source of funds. In such instances, the following shall apply:

- a. the remaining contributions of Clearing Members in respect of the relevant source of funds shall be applied to meet the outstanding loss, subject to their limits set out in Rule 2.28.2A and Rule 7A.06.6.6; and
- b. the liability of each Clearing Member for such loss shall be determined as described in Rules 7A.01A.2.b, c, d or e, whichever is applicable, subject always to the operation of Rule 7A.06.6.5.

7A.01A.4

If the Clearing House is unable to ascertain any of its losses in relation to a potential Flat Rate adjustment promptly after an event of default, the Clearing House may estimate its loss as if such estimated loss has already been ascertained, and apply the Clearing Fund accordingly. Upon ascertaining its actual loss suffered in relation to a Flat Rate adjustment, the Clearing House will debit or credit the monies to the Clearing Fund accordingly.

7A.01A.5

For the purpose of Rules 7A.01A.2.b, c, d, and e, an event of default shall fall within either of the following:

- a. Contracts that are listed for trading on the Exchange or Relevant Market;
- b. OTC Contracts; or
- c. OTCF Contracts

(each a “Contract Class”, and collectively, “Contract Classes”)

except as provided in Rules 7A.01A.7 and 7A.01A.9, when an event of default is deemed to fall within (i) any combination of Contract Class, or (ii) all of the Contract Classes, as the case may be.

7A.01A.6

An event of default shall be deemed to have fallen within a particular Contract Class if the defaulting Clearing Member had open commitment or outstanding obligations to the Clearing House in that Contract Class at the time of such default.

7A.01A.7

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An event of default that is due to the insufficiency of a Clearing Member's Collateral deposited with, provided to or otherwise made available to the Clearing House to fully discharge such Clearing Member's obligations to the Clearing House, or is due to the insolvency of a Clearing Member, shall be deemed for the purpose of Rules 7A.01A.2.b, c, d and e to have occurred in each Contract Class that Clearing Member was clearing or had open commitment in at the time of default.

7A.01A.8

Where an event of default is due to the insufficiency of the Collateral of any other Relevant Market including a Participating Market, available to the Clearing House to fully meet the obligations of such Relevant Market and/or its clearing house to the Clearing House or the insolvency of the other Relevant Market, a default shall be deemed to have occurred in the class of Contracts that are listed for trading on the Exchange or the Relevant Market.

7A.01A.9

An event of default that is due to conversion, theft, breach of trust or embezzlement of a Clearing Member, or any other cause shall be deemed to have occurred in each Contract Class that Clearing Member was clearing or had open commitment in at the time of default.

7A.01A.10

While application of the Clearing Fund shall be mandatory, the detailed implementation of Rule 7A.05 and 7A.06 shall be the responsibility of the Clearing House.

7A.01A.11

Without prejudice to the generality of Chapter 1, the Clearing House shall not be liable to any Clearing Member or any Third Party in respect of any damage, loss, cost or expense of whatsoever nature (whether direct, indirect, special or consequential, including without limitation any loss of business, revenue, goodwill, bargain or profit), suffered or incurred by such Clearing Member or Third Party, arising out of or in connection with the declaration or non-declaration of an event of default by the Clearing House.

7A.02 Open Positions of Defaulted/Suspended Clearing Members

7A.02.1

When a Clearing Member having open positions has defaulted upon its obligation to the Clearing House, or has been suspended, the Clearing House may:-

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- 7A.02.1.1 transfer all or any part of positions in Customer Contracts held by the defaulted or suspended Clearing Member to one (1) or more Clearing Members designated by the Clearing House. When such positions are so transferred, the following shall apply:
- a. subject to Rule 7A.02.1.1.c~~7~~, margins deposited with the Clearing House in respect of the positions shall be entrusted to the designated Clearing Member or Clearing Members;
 - b. the margins entrusted to a designated Clearing Member pursuant to this Rule 7A.02.1.1 may not be in such form as was originally deposited with the Clearing House;
 - c. the Clearing House shall have the discretion not to transfer all or any part of the margins and settlement monies to a designated Clearing Member as described in Rule 7A.02.1.1.b~~a~~, if:
 - i. the positions~~7~~ are held in an omnibus account; or
 - ii. monies and other assets deposited with the Clearing House in relation to Customers' Contracts may be applied pursuant to Rule 7A.05.1.2~~7~~1
- provided that ~~Where~~ margins and settlement monies are not transferred to the designated Clearing Member, the designated Clearing Member shall be required to collect the required margins and settlement monies from its Customer; and
- d. The margins not entrusted to designated Clearing Members shall be retained by the Clearing House and may be applied in accordance with Rule 7A.05.1.2. Any unused margins shall be returned to the defaulted or suspended Clearing Member, or entrusted to the designated Clearing Members, as the Clearing House deems appropriate:
 - i. following the settlement of losses arising from the event of default; or
 - ii. at such time that the Clearing House determines that the margins may not be used.
- 7A.02.1.2 execute hedging transactions, on behalf of and at the risk of the defaulted or suspended Clearing Member, to eliminate or reduce market risk resulting from such open positions;
- 7A.02.1.3 appoint one or more Inter Dealer Brokers, Clearing Members or members of the applicable Relevant Market to close out positions

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in House Contracts, as well as Customer Contracts that have not been transferred pursuant to Rule 7A.02.1.1 within such time as the Clearing House may prescribe, on the behalf of and at the risk of the defaulted or suspended Clearing Member;

7A.02.1.4 where the open positions relate to an Eligible Non-Relevant Market Transaction or a Contract subject to physical delivery prior to re-novation in Rule 6.02A.7, and it is in the Clearing House's good faith opinion impossible or impracticable for the open positions to be transferred or closed out pursuant to Rules 7A.02.1.1 and 7A.02.1.3 respectively, the Clearing House may, in addition to any other power or right it may have, invoice back such positions to the defaulting or suspended Clearing Member. The Clearing House shall then simultaneously invoice back the equivalent number of positions or as nearly equivalent number of such positions as the Clearing House may deem practical to the following:—

- a. in the case of an Eligible Non-Relevant Market Transaction or a Contract subject to physical delivery prior to the matching process in Rule 6.02A.7, to other non-defaulting and non-suspended Clearing Members, and/or any other non-defaulting Relevant Market (or its clearing house) holding appropriate opposite positions (whether reported to the Clearing House as being House or Customer positions) as at the date of such invoicing back, on a pro-rata basis, calculated as the proportion of such gross opposite positions of each non-defaulting and non-suspended Clearing Member and/or Relevant Market (or its clearing house) at the date of such transfer relative to the aggregate value of such open positions held by all non-defaulting and non-suspended Clearing Members (to be rounded down or up if the number of lots is not a whole number at the Clearing House's absolute discretion).
- b. in the case of a Contract subject to physical delivery after the matching process in Rule 6.02A.7 and before re-novation in Rule 6.02A.7, to the non-defaulting and non-suspended Clearing Members and/or clearing member of another Relevant Market (or its clearing house), with which the defaulting or suspended Clearing Member has been matched in accordance with Rule 6.02A.7 (whether reported to the Clearing House as being House or Customer positions).

The invoicing back shall be carried out by the Clearing House effecting and registering opposite positions between itself and each of the relevant affected persons. The Clearing House shall then settle the open positions against such opposite positions, at a price determined by it. The Clearing House's actions, including the timing of the transfer and the price determined by the Clearing House shall be binding on all affected Clearing Members; and/or

7A.02.1.5 where the open positions relate to OTCF Contracts, take one or more of the following actions:

- a. hedge or otherwise liquidate such open positions in OTCF Contracts;
- b. conduct an auction of such open positions in OTCF Contracts, whether hedged or otherwise;

- c. where it is in the Clearing House's good faith opinion that (b) is impossible or impracticable, assign and transfer any residual OTCF Contracts, whether hedged or otherwise, to a non-defaulting Clearing Member provided that:
 - i. the residual OTCF Contracts, whether hedged or otherwise, assigned and transferred to the non-defaulting Clearing Member shall not be of such amount as to increase its risk margin requirement by more than 100% of its average end-of-day risk margin requirement for OTCF Contracts in the 30 days preceding, and excluding, the day on which the event of default occurs, as declared by the Clearing House; and
 - ii. the non-defaulting Clearing Member has cleared such product group in such currency in the last three months,
- or
- d. undertake any action which is ancillary or incidental to activities set out under (a) – (c) above.

7A.05 Protection of Clearing House

7A.05.1 Failure by Clearing Member and any other Relevant Market (or its Clearing House) to discharge its obligations to the Clearing House in respect of Contracts

7A.05.1.1 Where a Clearing Member has failed promptly to discharge any of its obligations to the Clearing House in respect of a House Contract, the Clearing House may apply any or all of the following to discharge such obligations:

- a. the Clearing Member's ~~Security Deposit and all other forms of security~~Collateral deposited with or provided furnished to the Clearing House (except ~~where such securities furnished Collateral deposited or provided~~ in relation to Customer Contracts, ~~it which~~ shall be governed by Rule 7A.05.1.2.~~eb~~); and
- ~~b. margins, assets or securities (including without limitation letters of credit provided by the Clearing Member to the Clearing House) deposited by the Clearing Member in relation to House Contracts; and~~
- eb. in the case of a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.a or b, the ~~cash and/or acceptable government securities~~ Collateral deposited or provided by the Bank Clearing Member pursuant to Rule 2.08.1B.1.

7A.05.1.2 Where a Clearing Member has failed promptly to discharge any of its obligations to the Clearing House in respect of a Customer

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Contract, the Clearing House may apply any or all of the following to discharge such obligations:

- a. the Clearing Member's ~~Security Deposit and all other forms of security~~ Collateral deposited with or provided furnished to the Clearing House (except ~~where such security is furnished~~ Collateral deposited or provided in relation to Customer Contracts, ~~it which~~ shall be governed by Rule 7A.05.1.2. ~~eb~~);
- ~~b. margins, assets or securities (including without limitation letters of credit provided by the Clearing Member to the Clearing House) deposited by the Clearing Member in relation to House Contracts;~~
- ~~eb.~~ margins, assets or securities (including without limitation letters of credit provided by the Clearing Member to the Clearing House) Collateral deposited or provided by the Clearing Member in relation to Customer Contracts provided that the conditions in the SFA in relation to the permissible use of customers' money and assets are satisfied;
- ~~ec.~~ in the case of a Bank Clearing Member incorporated outside Singapore which has satisfied Rule 2.02B.1.11.a or b, the ~~cash and/or acceptable government securities~~ Collateral deposited or provided by the Bank Clearing Member pursuant to Rule 2.08.1B.1; and
- ~~ed.~~ the qualifying letters of credit deposited with the Exchange by a Trading Member sponsored by the Clearing Member, pursuant to Rule 7.3.6 of the Trading Rules, provided that the Clearing Member's default is attributable to such Trading Member's act or omission.

7A.05.1.3 The Clearing House may liquidate any non-cash ~~assets~~ Collateral deposited with it by a Clearing Member:

- a. in respect of ~~assets~~ Collateral in relation to House Contracts, where the Clearing Member has failed to promptly discharge its obligations to the Clearing House in respect of any Contract; and
- b. in respect of ~~assets~~ Collateral in relation to Customer Contracts, where the Clearing Member has failed to promptly discharge its obligations in respect of a Customer Contract and the conditions in the SFA in relation to the permissible use of customers' money and assets are satisfied.

The Clearing House shall not be liable for any losses arising from such liquidation.

7A.05.1.5 The Clearing Member shall not take any action or do anything that will directly or indirectly interfere with, prohibit, restrict or inhibit the ability of the Clearing House to so apply ~~such Security Deposit, margins on deposit, assets or securities~~ the Collateral and the Clearing House shall, except where it has acted in bad faith, be under no liability to the Clearing Member or any other person

whatsoever in so applying such ~~Security Deposit, margins on deposit, assets or securities~~Collateral and the Clearing Member shall fully indemnify and keep indemnified the Clearing House and hold the Clearing House harmless against any such liability.

7A.05.1.6 If a Relevant Market, including a Participating Market, and/or its clearing house as the case may be fails to promptly discharge any of its obligations to the Clearing House arising out of any arrangement relating to the clearing of Contracts, including the Mutual Offset System, the ~~Letters of Credit, margins, other assets or securities~~Collateral of such Relevant Market shall be applied by the Clearing House to discharge the obligation.

7A.05.1.7 Where the Clearing Member which is also a clearing member of CDP has failed to settle its financial obligations to CDP, the Clearing House shall be entitled to retain any ~~margins, assets or securities, including without limitation letters of credit,~~Collateral deposited or provided by the Clearing Member in relation to House Contracts which have not been utilised pursuant to this Rule 7A.05.

7A.06.2 Security Deposit

7A.06.2.2 The Security Deposit shall be in ~~the following forms:~~

~~A. for clearing Contracts traded on the Exchange or any Relevant Market or OTC Contracts, cash, government securities or an irrevocable Letter of Credit in a form and from a bank acceptable to the Clearing House;~~

~~B. for clearing OTCF Contracts, cash or government securities; and~~

~~C. for clearing both (i) Contracts which are listed for trading on the Exchange or any Relevant Market and/or OTC Contracts, and (ii) OTCF Contracts, a combination of:~~

~~a. any of the forms of collateral set out in Rule 7A.06.2.2.A in respect of the Security Deposit amount required for clearing Contracts listed for trading on the Exchange or any Relevant Market and/or OTC Contracts; AND~~

~~b. any of the forms of collateral set out in Rule 7A.06.2.2.B in respect of the Security Deposit amount required for clearing OTCF Contracts,~~

or any other ~~securities~~forms of Collateral acceptable to the Clearing House from time to time.

7A.06.2.3 ~~Letters of Credit, g~~Government securities or any other security form of Collateral acceptable to the Clearing House shall not exceed a prescribed proportion of the Security Deposit, as the Clearing House may specify from time to time in its discretion.

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7A.06.3 Further Assessment Amount
<p>7A.06.3.2 Each Clearing Member shall be required to deposit with the Clearing House a percentage of its Further Assessment Amount as set out below:</p> <ul style="list-style-type: none"> a. in respect of Further Assessment Amount attributable to Contracts traded on the Exchange or any Relevant Market or OTC Contracts, an amount up to 50% in the form of cash, <u>or</u> government securities or an irrevocable Letter of Credit; or b. in respect of Further Assessment Amount attributable to OTCF Contracts, an amount up to 100% in the form of cash or government securities, <p>or any other <u>securities forms of Collateral</u> acceptable to the Clearing House from time to time.</p>
7A.06.5 Losses Borne by Clearing House [Rule has been deleted.]
<p>7A.06.5.1 On the occurrence of any of the following events, or if the Clearing House in its discretion determines that any of the following events has occurred, the Clearing House may declare an event of default:-</p> <ul style="list-style-type: none"> a. the insufficiency of a Clearing Member's Security Deposit, margins on deposit with the Clearing House, or any of its other assets or securities to discharge such Clearing Member's obligations to the Clearing House; or b. the insufficiency of the Letters of Credit, margins or any other assets or securities of any other Relevant Market, including a Participating Market, available to the Clearing House to fully meet such other Relevant Market's and/or its clearing house's obligations to the Clearing House; or c. the insolvency of a Clearing Member (as determined by Rule 7A.01.3), any other Relevant Market which clears the opposite side of any Contract, including a Participating Market, and/or its clearing house or any depository (as defined in Rule 2.35.4); or d. conversion, theft, breach of trust, embezzlement, or any other similar cause, caused or suffered by or in connection with a Clearing Member. <p>7A.06.5.2 Subject to Rule 7A.06.6.4, any loss suffered by the Clearing House arising from or in connection with an event of default shall be met and made good promptly by the use and application of funds from the following sources (collectively known as the "Clearing</p>

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Fund") in the order of priority hereafter listed, with each source of funds to be completely exhausted, subject to the limitations contained therein, before the next source is applied:—

a.— ~~Clearing House Contribution.~~

b.— ~~Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where each Clearing Member had:~~

~~i. cleared Contracts belonging to the Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or~~

~~ii. an open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House (with the periods at Rules 7A.06.5.2.b.i and 7A.06.5.2.b.ii collectively referred to as the "Relevant Periods").~~

~~Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.06.5.2.b.~~

c.— ~~Further Assessment Amounts (as prescribed under Rule 7A.06.3, and excluding any Clearing Member who is insolvent or deemed to be insolvent) of the same category of Clearing Members referred to in Rule 7A.06.5.2.b. Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amount requirement for the category of Clearing Members referred to in Rule 7A.06.5.2.b.~~

e1.— ~~Any contributions to the Clearing Fund by the Clearing House or any of its related entities to that Contract Class in which the event of default occurred, the amount of such contributions (if any) to be determined by the Clearing House in its sole discretion.~~

d.— ~~Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where that Clearing Member had:—~~

~~i. cleared Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or~~

- ii. ~~an open commitment in Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or~~
- iii. ~~not cleared or had no open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the Relevant Periods.~~

~~Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.06.5.2.d, PROVIDED ALWAYS that if such Clearing Member's Security Deposit had been applied pursuant to Rule 7A.06.5.2.b, its Security Deposits shall not be applied again pursuant to this Rule 7A.06.5.2.d.~~

- e. ~~Further Assessment Amounts (as prescribed under Rule 7A.06.3 of the same category of Clearing Members referred to in Rule 7A.06.5.2.d (excluding any Clearing Member which has been levied the maximum amount that may be levied against it pursuant to 7A.06.5.2.c). Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amounts requirement for the category of Clearing Members referred to in Rule 7A.06.5.2.d; and~~
- f. ~~any other contributions to the Clearing Fund.~~

~~7A.06.5.3 Where Clearing Members' Security Deposit or Further Assessment Amounts are used and applied in accordance with Rules 7A.06.5.2.b, c, d or e, the limits to one or more Clearing Members' liabilities in respect of such funds as set out in Rule 2.28.2A or Rule 7A.06.6.6 may be reached. As a consequence of the foregoing, the contributions of Clearing Members which remain liable in respect of the relevant source of funds may remain unexhausted, while outstanding losses remain following such use and application of the source of funds. In such instances, the following shall apply:~~

- a. ~~the remaining contributions of Clearing Members in respect of the relevant source of funds shall be applied to meet the outstanding loss, subject to their limits set out in Rule 2.28.2A and Rule 7A.06.6.6; and~~
- b. ~~the liability of each Clearing Member for such loss shall be determined as described in Rules 7A.06.5.2.b, c, d or e, whichever is applicable, subject always to the operation of Rule 7A.06.6.5.~~

~~7A.06.5.4 If the Clearing House is unable to ascertain any of its losses in relation to a potential Flat Rate adjustment promptly after an event of default, the Clearing House may estimate its loss as if such estimated loss has already been ascertained, and apply the Clearing Fund accordingly. Upon ascertaining its actual loss suffered in relation to a Flat Rate adjustment, the Clearing House will debit or credit the monies to the Clearing Fund accordingly.~~

~~7A.06.5.5 For the purpose of Rules 7A.06.5.2.b, c, d, and e, an event of default shall fall within either of the following:~~

~~a. Contracts that are listed for trading on the Exchange or Relevant Market;~~

~~b. OTC Contracts; or~~

~~c. OTCF Contracts~~

~~(each a “Contract Class”, and collectively, “Contract Classes”)~~

~~except as provided in Rules 7A.06.5.7 and 7A.06.5.9, when an event of default is deemed to fall within (i) any combination of Contract Class, or (ii) all of the Contract Classes, as the case may be.~~

~~7A.06.5.6 An event of default shall be deemed to have fallen within a particular Contract Class if the defaulting Clearing Member had open commitment or outstanding obligations to the Clearing House in that Contract Class at the time of such default.~~

~~7A.06.5.7 An event of default that is due to the insufficiency of a Clearing Member’s Security Deposit, margins, or deposit with the Clearing House, or any of its other assets or securities available to the Clearing House to fully discharge such Clearing Member’s obligations to the Clearing House, or is due to the insolvency of a Clearing Member, shall be deemed for the purpose of Rules 7A.06.5.2.b, c, d and e to have occurred in each Contract Class that Clearing Member was clearing or had open commitment in at the time of default.~~

~~7A.06.5.8 Where an event of default is due to the insufficiency of the Letter of Credit, margins or any of its other assets or securities of any other Relevant Market including a Participating Market, available to the Clearing House to fully meet the obligations of such Relevant Market and/or its clearing house to the Clearing House or the insolvency of the other Relevant Market, a default shall be deemed to have occurred in the class of Contracts that are listed for trading on the Exchange or the Relevant Market.~~

~~7A.06.5.9 An event of default that is due to conversion, theft, breach of trust or embezzlement of a Clearing Member, or any other cause shall be deemed to have occurred in each Contract Class that Clearing Member was clearing or had open commitment in at the time of default.~~

~~7A.06.5.10 While application of the Clearing Fund shall be mandatory, the detailed implementation of Rule 7A.05 and 7A.06 shall be the responsibility of the Clearing House.~~

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7A.06.7 Rights of Clearing House for Recovery of Loss
7A.06.7.1 If a Clearing Member's Security Deposit, margins on deposit with the Clearing House and any of its other assets or securities <u>Collateral</u> available to the Clearing House are insufficient to fully discharge all of such Clearing Member's obligations to the Clearing House, including all claims against or expenses incurred by the Clearing House by reason of its substitution for that Clearing Member pursuant to Rule 7.04, the Clearing House shall nonetheless pay all such claims and expenses related to any of the action which the Clearing House may take pursuant to Rule 7A.02.1 (including drawings from the Clearing Fund and expenses), which shall be deemed a loss to it and which shall be a debt from the defaulting Clearing Member to the Clearing House, which the Clearing House may collect from the assets or securities of such Clearing Member available to it or by process of law.
<u>Chapter 7B – PAYMENTS</u>
<u>7B.1 Nomination of Accounts</u>
<u>7B.1.1</u>
<u>The nomination of an account for the purpose of receiving any funds or other assets to be paid or deposited under this Rules shall, in the case of nomination by a Clearing Member, be in writing to the Clearing House, and in the case of nomination by the Clearing House, be by way of circular or otherwise.</u>
<u>7B.2 Cash Payments : Settlement Bank Payment</u>
<u>7B.2.1</u>
<u>The payment method that is set out in this Rule 7B.2 shall be referred to in this Rules as “Settlement Bank Payment”.</u>
<u>7B.2.2</u>
<u>A “Payment Instruction” means an instruction given by the Clearing House to a Settlement Bank to:</u>
<u>(a) place at the disposal of a Clearing Member by crediting a nominated account held by that Clearing Member at that Settlement Bank an amount of money to be debited from a nominated account held by the Clearing House at that Settlement Bank; or</u>
<u>(b) place at the disposal of the Clearing House by crediting a nominated account held by the Clearing House at that Settlement Bank an amount of money to be debited from a nominated account held by a Clearing Member at that Settlement Bank.</u>

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The means by which a Payment Instruction may be communicated by the Clearing House to a Settlement Bank shall be as agreed between the Clearing House and the Settlement Bank.

7B.2.3

A “Confirmation” in relation to a Payment Instruction means a confirmation by a Settlement Bank to the Clearing House that it will carry out that Payment Instruction.

The means by which a Confirmation shall be made or deemed to have been made and communicated by a Settlement Bank to the Clearing House shall be as agreed between the Clearing House and the Settlement Bank.

7B.2.4

A Payment Instruction may be given by the Clearing House in respect of any obligation to pay a sum of money pursuant to or in connection with this Rules. A Payment Instruction shall be irrevocable upon Confirmation of that Payment Instruction by the relevant Settlement Bank.

7B.2.5

Where any sum of money is paid pursuant to or in connection with this Rules through Settlement Bank Payment:

- (a) such payment shall not be considered to have been made to the intended recipient until a Confirmation of the relevant Payment Instruction is given by the relevant Settlement Bank; and
- (b) such Confirmation shall discharge the payment obligation in respect of which the relevant Payment Instruction was given.

7B.3 Cash Payments : Other Payment Methods

7B.3.1

Where any sum of money is to be paid pursuant to or in connection with this Rules, the Clearing House may stipulate the payment method through which such payment is to be made and Clearing Members shall comply with such stipulation.

7B.3.2

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Where any sum of money is paid pursuant to or in connection with this Rules through an Other Payment Method, such payment shall not be considered to have been made to the intended recipient until the payment sum is irrevocably and unconditionally received, in immediately available funds, in such account of the intended recipient as is nominated by the intended recipient.

7B.4 Deposit and Return of Government Securities

7B.4.1

Any deposit or return of government securities pursuant to or in connection with this Rules shall not be considered to have been made until such government securities are received in such account of the intended recipient as is nominated by the intended recipient.

7B.5 Deposit and Return of Book-Entry Securities

7B.5.1

Any deposit of book-entry securities (as defined in section 130A of the Companies Act) by a Clearing Member with the Clearing House pursuant to or in connection with this Rules shall not be considered to have been made until the charge over such securities becomes effective in accordance with section 130N of the Companies Act.

7B.5.2

Any return of book-entry securities (as defined in section 130A of the Companies Act) by the Clearing House to a Clearing Member pursuant to or in connection with this Rules shall not be considered to have been made until the charge over such securities is discharged in accordance with section 130N of the Companies Act.

CHAPTER 9 – DEFINITIONS AND INTERPRETATION

9.01 Definitions

9.01.1

Unless the context otherwise requires, the following words and expressions shall be defined as follows: -

“acceptable government	means securities issued by a government with a Moody's Investors Service sovereign rating of at least Aaa, Standard & Poor's Corporation sovereign rating of at least AAA, or Fitch, Inc sovereign rating of at least AAA. <u>or</u>
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securities”	<u>such other rating or such other government security, as may otherwise be prescribed by and acceptable to the Clearing House from time to time.</u>
“ Asset(s) ”	shall have the meaning ascribed to it at Rule 7.20.1.
“ <u>Collateral</u> ”	<u>means all or any of the monies and assets deposited with, or otherwise provided to, the Clearing House by or for a Clearing Member as margin, Security Deposit, Further Assessment Amount or any other form of credit support and/or security as may be required under this Rules or as otherwise directed by the Clearing House, but shall not include Performance Deposits or other Escrow Assets.</u>
“ <u>Confirmation</u> ”	<u>has the meaning ascribed to it in Rule 7B.2.3.</u>
“ <u>Escrow Asset</u> ”	<u>means any Title Document, letter of credit, financial instrument, property or money (including Performance Deposits and other payments) which the Clearing House holds or is to hold as escrow agent pursuant to this Rules and/or the relevant Contract Specifications.</u>
“ <u>Other Payment Method</u> ”	<u>means any payment method other than Settlement Bank Payment or payment as described in Rule 7.14.</u>
“ <u>Payment Instruction</u> ”	<u>has the meaning ascribed to it in Rule 7B.2.2.</u>
“ Property/Properties ”	shall have the meaning ascribed to it at Rule 7.20.1.
“ <u>Security Deed</u> ”	<u>means the deed, in such form as prescribed by the Clearing House, setting out the terms under which a Clearing Member’s Collateral is provided to, and held by, the Clearing House.</u>
“ <u>Security Interest</u> ”	<u>means any mortgage, charge, assignment by way of security, pledge, encumbrance, lien, right of set-off, right of consolidation of accounts, retention of title, trust or flawed asset arrangement for the purpose of, or which has the effect of, granting security or credit support or other interests of any kind whatsoever over or in respect of Collateral.</u>
“ <u>Settlement Bank</u> ”	<u>means a bank approved by the Clearing House to carry out Settlement Bank Payment.</u>
“ <u>Settlement Bank Payment</u> ”	<u>has the meaning ascribed to it in Rule 7B.2.1.</u>
<u>9.02.7 Severability</u>	
<u>The invalidity, illegality or unenforceability in whole or in part of any of the provisions of this Rules or the Directives or Circulars, shall not affect the validity, legality and enforceability of the remaining part or provisions of the rest of this Rules and the Directives or Circulars.</u>	

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Over-The-Counter Financial Derivatives Clearing Member Handbook
5. Novation Process (Rule 7.04.5A)
5.1 <u>Process of Novation</u>
5.1.1 When the Clearing House confirms the registration of an Eligible OTCF Transaction under Rule 7.02AA.1, Rule 7.04.5 <u>DA.4</u> provides that the original OTCF Contract between the Clearing Members will be replaced by contracts that shall be governed by the Contract Terms (please see <i>Appendix 1 – Over-The-Counter Interest Rate Swap Contract Terms</i> or <i>Appendix 2 – Over-The-Counter FX Forward Contract Terms</i>).
5.1.2 After confirmation of novation by the Clearing House, the OTCF Transactions will be governed under the Rules, this Handbook and the Contract Terms, and the original counterparties of the OTCF Transactions shall no longer have any counterparty risk exposure to each other.
5.2 <u>Pre-Novation Margining (Rule 7.04.5CA.3)</u>
5.2.1 New OTCF Transactions that are submitted via the approved Trade Registration System are novated during the Operational Hours as set out in Section 3.2.
5.2.2 Pursuant to Rule 7.04.5 <u>CA.3</u> , both Clearing Members are required to have sufficient margin collateral to meet resultant margin requirements and variation profit and loss prior to novation. If there is insufficient collateral to meet the margin requirements for the submitted OTCF Transaction(s), they will not be novated until the required collateral has been deposited with the Clearing House. OTCF Transactions that are not novated or are submitted for clearing after the Clearing House Operating Hours shall be processed on the following Opening Day. These OTCF Transactions will remain as bilateral OTCF Contracts pending novation to the Clearing House. Please refer to section 8.1.4 on the potential impact on coupon processing by the Clearing House should a trade be novated on a later clearing day.
5.3 <u>Backloading of Existing OTCF Transactions</u>
5.3.1 The Clearing House provides the facility for Clearing Members to load eligible existing bilateral OTCF Transactions through a Trade Registration System for novation to the Clearing House.
5.3.2 Residual term to maturity on the clearing day of submission should not exceed the eligibility criteria prescribed in the Contract Terms by

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the Clearing House.

5.3.3 As is the case with new OTCF Transactions, Rule 7.04.5CA.3 requires both Clearing Members to have sufficient margin collateral to meet resultant margin requirements and variation loss prior to the novation of existing OTCF Transactions which are backloaded. Please refer to section 8.1.4 on the potential impact on coupon processing by Clearing House should an OTCF transaction be novated on a subsequent clearing day.